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OFFICIAL STATEMENT



²
Redevelopment Agency of
The City of San Jose

Santa Clara County, California

\$24,800,000

Rincon de los Esteros

Redevelopment Project

1977 Tax Allocation Bonds

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Bids to be received by the Redevelopment Agency at the
Office of the Agency, Room 415, City Hall, 801 North First Street,
San Jose, California 95110, at 11:00 A.M.,
Tuesday, September 20, 1977.

Addition

REDEVELOPMENT AGENCY OF THE CITY OF SAN JOSE
Santa Clara County, California

CITY COUNCIL AND MEMBERS OF THE AGENCY

Janet Gray Hayes, *Mayor and Chairperson of the Agency*

Susanne B. Wilson, *Vice-Mayor and
Vice-Chairperson of the Agency*

Lawrence R. Pegram

Joseph A. Colla

David W. Runyon

Alfredo Garza, Jr.

James E. Self

Ted Tedesco, *Executive Director of the Agency and City Manager*

Russell T. Campbell, *Assistant Executive Director of the Agency*

Stanley Z. Twardus, *Director, Office of Economic Development*

Pat A. Forst, *Administrative Assistant*

Wylie, Blunt & McBride, *Agency Counsel*

Richard Karren, *Acting City Attorney*

Anthony Turturici, *Director of Public Works*

Kent South, *Director of Finance*

Francis L. Greiner, *City Clerk*

John W. Hamilton, *Director of Planning*

SPECIAL SERVICES

Orrick, Herrington, Rowley & Sutcliffe, *San Francisco*
Bond Counsel

Stone & Youngberg Municipal Financing Consultants, Inc., *San Francisco*
Financing Consultants

Bank of America N.T. & S.A., *San Francisco*
Fiscal Agent and Paying Agent

Bankers Trust Company, *New York City*
The First National Bank of Chicago, *Chicago*
Paying Agents

THE DATE OF THIS OFFICIAL STATEMENT IS AUGUST 30, 1977

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August 30, 1977

TO WHOM IT MAY CONCERN:

The purpose of this Official Statement is to supply information to prospective bidders on and buyers of \$24,800,000 Rincon de los Esteros Redevelopment Project, 1977 Tax Allocation Bonds (the "Bonds"), authorized and issued for the purpose of refunding outstanding 1975 Tax Allocation Bonds and assisting in the financing of said Project, paying of expenses in connection with issuance, and providing reserve funds as additional security for said Bonds.

The material contained in this Official Statement was prepared by Stone & Youngberg Municipal Financing Consultants, Inc., in the capacity of financing consultant to the Redevelopment Agency of the City of San Jose with regard to the Rincon de los Esteros Redevelopment Project, 1977 Tax Allocation Bonds. (Such firm will receive compensation from the Agency contingent upon the sale and delivery of the Bonds.) Summaries herein presented of the Resolution of Issuance, the Community Redevelopment Law, the Redevelopment Plan for said Project, financial and economic data do not purport to be complete, and reference is made to the documents on file in the office of the Agency for further information. Statements which involve estimates or opinions, whether or not expressly so described herein, are intended solely as such and are not to be construed as factual reports.

The Official Statement does not constitute a contract with buyers or holders, from time to time, of the Bonds. The Resolution of Issuance, which does constitute such a contract, accompanies the Official Statement as originally distributed and is available to any prospective bidder on request from the Agency.

The legal opinion, approving the validity of the Bonds, will be furnished by Orrick, Herrington, Rowley & Sutcliffe, San Francisco, California, Bond Counsel to the Agency. Bond Counsel's participation in the review of this Official Statement has been limited to reviewing the statements of law and legal conclusions as set forth hereinafter under the captions "The Bonds" and "The Refunding Plan".

No dealer, broker, salesman or other person has been authorized by the Agency to give any information or to make any representations other than those contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of any offer to buy nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The execution and distribution of this Official Statement have been duly authorized by the Agency.

REDEVELOPMENT AGENCY OF THE CITY OF
SAN JOSE/s/ JANET GRAY HAYES, *Chairperson*/s/ TED TEDESCO, *Executive Director*

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INTRODUCTION

The Constitution and laws of the State of California recognize the vital need for the elimination and rehabilitation of deteriorating urban areas in the state through conservation and redevelopment efforts, and provide an effective means of accomplishing these objectives. Under the provisions of the Community Redevelopment Law (California Health & Safety Code, Section 33000 et seq.), communities containing areas subject to economic and social deterioration may remedy these conditions by activating a redevelopment agency, which has the power to designate specific areas for redevelopment, prepare plans for redevelopment of the designated areas, and carry out the approved plans.

Financing of redevelopment projects in California may be provided through the issuance of tax allocation bonds or notes by the agency. These types of obligations are payable from property taxes collected from within a project upon the increase in assessed valuation which has resulted from redevelopment, as more fully described in this official statement. The local community may also advance funds to the redevelopment agency to help meet project costs, in which event, the advances may be repaid from such increased taxes.

In October of 1956 the San Jose City Council determined that there was a need for redevelopment of portions of the city, and by resolution activated the Redevelopment Agency of the City of San Jose (the "Agency"), which is a public entity separate and apart from the city. On January 14, 1975 the City Council declared itself to be the Agency, replacing a separate board. Beginning in July 1961 with the adoption of the Park Center Redevelopment Project, the Agency has adopted nine redevelopment projects.

Proceedings for improvement of a deteriorated, poorly drained and underutilized industrial area in the northern part of the city were undertaken with the official adoption by Ordinance of the Redevelopment Plan for the Rincon de los Esteros Redevelopment Project (the "Project") by the City Council on July 15, 1974.

The Project calls for redevelopment of an area of approximately 1,400 acres into a modern industrial and commercial complex. No residential uses will be permitted within the Project. At present a number of large warehouse and industrial facilities have been completed within the Project, as discussed in detail in a subsequent section of this official statement. Major developers include Sequoia Pacific—

subsidiary of Southern Pacific Company, Trammell Crow, Orchard Properties, Watkins-Johnson Co., Sutter Hill Ltd., Hewlett-Packard Corp., Cushman Electronics and Lincoln Properties. Private development is continuing, with new construction currently in progress valued at more than \$34,000,000.

The County of Santa Clara reports that the Project assessed valuation in the present 1977/78 fiscal year represents an increase of \$26,132,621 over the valuation established at adoption of the Redevelopment Plan. Upon completion of developments now under construction (1979/80) the increased assessed valuation is estimated at \$34,464,891. All property taxes derived from these increases are irrevocably pledged to the payment of the 1977 Tax Allocation Bonds described in this official statement.

Proceeds of the \$24,800,000 principal amount of 1977 Tax Allocation Bonds currently being offered for sale on behalf of the Rincon de los Esteros Redevelopment Project will be used, together with moneys on hand in funds and accounts created pursuant to Agency Resolution No. 1735 authorizing the \$5,580,000 principal amount of 1975 Tax Allocation Bonds to be issued on behalf of the Project, to establish an escrow fund for the full refund-

ing and defeasance of such 1975 Bonds, to establish a new Bond Reserve, provide approximately \$19,761,000 for additional public improvements in the Project area, and to pay the costs of issuance.

As stated above, property taxes obtained from increased Project assessed valuations (defined herein as the Tax Revenues) are pledged to the payment of interest and principal on the 1977 Tax Allocation Bonds. At the tax rates most recently applicable to a majority of the Project area, it is estimated that Tax Revenues to be generated in the current 1977/78 fiscal year will amount to approximately \$2,667,000, and when developments in progress are completed and on the 1979/80 tax rolls such Tax Revenues will increase to \$3,520,000. At these levels of income, the 1977/78 Tax Revenues will cover assumed maximum annual debt service on the 1977 Tax Allocation Bonds by about 1.20 times, while Tax Revenues received by 1979/80 will cover assumed maximum annual debt service by 1.59 times.

The Agency anticipates that additional development will be initiated within the Project in future years, but for the purposes of this official statement only development that is completed or presently under construction has been used in estimating assessed valuations and Tax Revenues.

This Introduction does not purport to present the complete provisions of the bonds now being offered, their terms of sale, documents authorizing their issuance and other relevant data. Reference is hereby made to the Official Statement, Official Notice of Sale, and Resolution No. 1942 of the Redevelopment Agency of the City of San Jose for a complete recitation of such provisions and information. This Introduction is part of the Official Statement and should be read in conjunction therewith.

THE BONDS

The statements herein concerning the Bonds and the Resolution are summaries of certain provisions thereof. They do not purport to be complete, and are qualified in their entirety by reference to the Resolution, a copy of which accompanies this official statement as originally distributed.

Authority for Issuance

The \$24,800,000 Rincon de los Esteros Redevelopment Project, 1977 Tax Allocation Bonds (hereinafter sometimes referred to as the "Bonds" or the "1977 Bonds"), currently being offered, were authorized pursuant to a resolution of the Redevelopment Agency of the City of San Jose, adopted August 30, 1977 (the "Resolution"). The Bonds will be issued under the provisions of, and in full conformity with, the Constitution and laws of the State of California, including the Community Redevelopment Law (commencing with Section 33000 of the California Health and Safety Code—the "Law"), and acts amending or supplementing that Law.

Sale of Bonds

Bids for the purchase of the Bonds will be received on behalf of the Redevelopment Agency of the City of San Jose until 11:00 A.M., Tuesday, September 20, 1977 at the office of the Redevelopment Agency, Room 415, City Hall, 801 North First Street, San Jose, California 95110. Details as to the terms of sale are included with the Official Notice of Sale, adopted August 30, 1977, a copy of which is included with this official statement as originally distributed.

Description of Bonds

The \$24,800,000 principal amount of Rincon de los Esteros Redevelopment Project, 1977 Tax Allocation Bonds will be dated as of September 1, 1977 and be issued either in coupon form in denominations of \$5,000 each, numbered 1 through 4,960,

or in fully registered form in the denomination of \$5,000 or any authorized multiple thereof, maturing on September 1 in the years and in the amounts shown below. Interest is payable semiannually each March 1 and September 1, commencing March 1, 1978. The Bonds, the interest thereon, and any premiums upon the redemption thereof prior to maturity are payable at the San Francisco office of the Fiscal Agent, Bank of America N.T. & S.A. (Corporate Agency Division); Bankers Trust Company, New York, New York; or The First National Bank of Chicago, Chicago, Illinois.

Maturity Date Sept. 1	Principal Amount	Maturity Date Sept. 1	Principal Amount
1979 ..	\$ 650,000	1989 ..	\$1,200,000
1980 ..	700,000	1990 ..	1,280,000
1981 ..	740,000	1991 ..	1,360,000
1982 ..	790,000	1992 ..	1,440,000
1983 ..	840,000	1993 ..	1,530,000
1984 ..	890,000	1994 ..	1,630,000
1985 ..	950,000	1995 ..	1,730,000
1986 ..	1,000,000	1996 ..	1,840,000
1987 ..	1,070,000	1997 ..	1,950,000
1988 ..	1,130,000	1998 ..	2,080,000

Registration

The Bonds will be issued as coupon bonds or as fully registered bonds, at the holders' option, with the privilege of exchange as set forth in the Resolution.

Redemption Provisions

Bonds maturing on or prior to September 1, 1989, a total principal amount of \$9,960,000, are not subject to call or redemption prior to their respective maturity dates. Bonds maturing on or after September 1, 1990, a total principal amount of \$14,840,000, are subject to call and redemption at the option of the Agency, as a whole or in part in inverse order of maturity and by lot within a single maturity, from any available source of funds, on any principal payment date commencing with September 1, 1989, upon payment of the principal amount to be redeemed, accrued interest to the date of call, plus a premium equal to $\frac{1}{4}$ of 1% of the principal amount of Bonds called for redemption for each year from the date of redemption to the stated maturity date. The highest premium, applicable to any Bonds redeemed on the earliest call date (September 1,

1989), would be 2¼ %. Notice of call for redemption shall be given as provided in the Resolution.

Legal Opinion

The opinion of Orrick, Herrington, Rowley & Sutcliffe, San Francisco, California, Bond Counsel for the Agency, attesting to the validity of the Bonds, will be supplied free of charge to the purchaser of the Bonds. A copy of the legal opinion, certified by the official in whose office the original is filed, will be printed on each Bond without charge to the successful bidder.

The statements of law and legal conclusions set forth in this official statement under the heading "The Bonds" and "The Refunding Plan" have been reviewed by Bond Counsel. Bond Counsel's employment is limited to a review of the legal procedures required for the authorization of the Bonds and to rendering an opinion as to the validity of the Bonds and the exemption of interest on the Bonds from income taxation (see section hereof entitled "Tax Exempt Status"). The opinion of Bond Counsel will not consider or extend to any documents, agreements, representations, offering circulars or other material of any kind concerning the Bonds, including this official statement, not mentioned in this paragraph.

Tax Exempt Status

In the opinion of Bond Counsel, interest on the Bonds is exempt from present federal income taxes and from State of California personal income taxes under existing statutes, regulations and court decisions.

Certificate Concerning Official Statement

At the time of payment for and delivery of the Bonds, the Agency will furnish the successful bidder a certificate, signed by appropriate officers of the Agency, acting in their official capacity, to the effect that to the best of their knowledge and belief, and after reasonable investigation, (a) neither the official statement nor any amendment or supplement thereto contains any untrue statement of a material fact or omits to state any fact, necessary to make the statements therein, in light of the circumstances in which they were made not misleading; (b) since the date of the official statement no event has occurred which

should have been set forth in an amendment or supplement to the official statement which has not been set forth in such an amendment or supplement; nor (c) has there been any material adverse change in the operation or financial affairs of the Agency or city since the date of such official statement.

Other Closing Documents

In addition to the opinion of Bond Counsel and the certificate concerning the official statement described above, the Agency will, at the time of delivery of the Bonds, furnish the purchaser the following documents, all to be dated as of the date of delivery:

1. **Arbitrage Certificate.** A certificate of a responsible officer of the Agency that, on the basis of the facts and circumstances in effect at the time of delivery of the Bonds, it is not expected that the proceeds of the Bonds will be used in a manner that will cause the Bonds to be arbitrage bonds (together with an approving opinion of counsel concerning such certificate).

2. **No Litigation Certificate.** A certificate of a responsible officer of the Agency that there is no litigation threatened or pending affecting the validity of the Bonds.

3. **Signature Certificates.** Certificates of the respective officers and representatives of the Agency showing that they have signed the Bonds by manual or facsimile signature, and that they were duly authorized to execute the same.

4. **Treasurer's Receipt.** The receipt of the Treasurer of the Agency showing that the purchase price of the Bonds, including accrued interest to the date of delivery (if any), has been received by the Agency.

Legality for Investment in California

The California Community Redevelopment Law provides that debt instruments authorized and issued in the same manner and for the same purposes as the Bonds described herein shall be legal investments for all banks, including trust companies, and various other financial institutions, as well as for trust funds and other public bodies. The Community Redevelopment Law also provides that such debt instruments are authorized security for public deposits.

The Superintendent of Banks of the State of California has previously ruled that debt instruments of a redevelopment agency are, by said statute, legal investments in California for savings banks. As such,

the Bonds would also be legal investments for all trust funds, and for the funds of all insurance companies, commercial banks, trust companies, and any public or private funds which may be invested in county, municipal, or school district bonds. The Bonds may be deposited as security for the performance of any act whenever the bonds of any county or municipality may be so deposited, and may also be used as security for the deposit of public moneys in banks in the state. The Agency has not requested a separate ruling from said Superintendent of Banks as to the 1977 Bonds.

Purpose and Disposition of Bond Proceeds

A portion of the proceeds of the Bonds are to be used to retire \$5,460,000 outstanding 1975 Tax Allocation Bonds issued on behalf of the Project (the "1975 Bonds"), and finance construction of public improvements and related expenses, as described in the section of this official statement entitled "The Rincon de los Esteros Redevelopment Project".

Under the provisions of the Resolution, the Fiscal Agent will receive the proceeds from the sale of the Bonds and will apply them as follows:

(1) The accrued interest and premium, if any, will be deposited in the Interest Account of the Rincon de los Esteros Redevelopment Project Special Fund.

(2) A sum in an amount which will be sufficient to purchase certain escrowed United States Treasury Obligations-State and Local Government Series, which will provide for the orderly retirement and redemption of the 1975 Bonds, will be deposited in the Bonds of 1975 Escrow Fund (the "Escrow Fund").

(3) A sum equal to maximum annual debt service on the 1977 Bonds will be deposited in the Rincon de los Esteros Project Reserve Fund.

(4) The balance of the proceeds will be deposited in the Rincon de los Esteros Redevelopment Project Redevelopment Fund, to be expended for the purposes for which the Bonds were issued. In addition, any unexpended balance in the Redevelopment Fund and the Special Fund (and the Accounts created thereunder) established for the 1975 Bonds will be combined with said deposit from 1977 Bond proceeds.

The estimated amount of Bond proceeds to be used for each of the specified purposes is as shown in the tabulation below.

RINCON de los ESTEROS REDEVELOPMENT PROJECT

Disposition of 1977 Bond Proceeds

Escrow Fund (1975 Bonds)	\$ 5,836,855
Public improvements	16,500,000 ①②
Reserve Fund (maximum annual debt service)	2,211,875
Provision for Bond discount (3% maximum)	744,000
Costs of issuance (legal, financing, printing, etc.)	407,270
Less: Interest earnings on invested funds	(900,000) ③
Principal Amount of Bonds . .	<u>\$24,800,000</u>

① To be supplemented by approximately \$3,261,000 available funds in 1975 Bonds Reserve Fund and Sinking Account.

② As detailed in Table 5 on page 34.

③ Excludes Escrow Fund earnings.

Security

The Bonds are payable from any available funds of the Agency and are secured by a first and exclusive pledge of all Tax Revenues (as defined below) and all moneys in the Reserve Fund (to be established with the Fiscal Agent from Bond proceeds). The Tax Revenues are irrevocably pledged in their entirety to the payment of the Bonds or to the Reserve Fund by transfer, so long as any of the Bonds remain outstanding or unprovided for. However, the Resolution provides for discretionary disbursement of a portion of the Tax Revenues to the Agency after certain requirements and other conditions precedent have been met (see section on pages 6-7 entitled "Creation of Funds and Accounts"—"Surplus").

Under the provisions of the Community Redevelopment Law and the Redevelopment Plan for the Rincon de los Esteros Redevelopment Project, taxes on property in the Project levied by any taxing agency on or after July 1, 1975 (the date on which the allocation of Tax Revenues began), will be allocated in the following manner beginning September 1, 1977 (the 1977 Bonds date):

(1) Taxes levied at the total prevailing rates each year against an amount equivalent to the recorded 1973/74 assessed valuation of property within the Project (the "frozen base"), will continue to be paid into the funds of the respective taxing agencies.

(2) Taxes derived from increases in the assessed valuation of property within the Project above the frozen base occurring for any reason (the "Tax Revenues") will be deposited in the Special Fund of the Agency, held and administered by the Fiscal Agent for payment of the Bonds.

The Bonds are special obligations of the Redevelopment Agency of the City of San Jose and as such are not a debt of the City of San Jose, the State of California, or any of its political subdivisions. Neither the city, state, nor any of its political subdivisions are liable for their payment. These Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction.

The validity of the Bonds is not dependent upon the completion of the Project or upon the performance by anyone of his obligation relative to the Project.

Creation of Funds and Accounts

The Resolution provides for the establishment of funds and accounts, all to be held by the Fiscal Agent, for the administration and control of the proceeds obtained from sale of the Bonds, any other funds allocable to the Project, and from the pledged Tax Revenues. Specific aspects of these funds and accounts are described as follows:

The Bonds of 1975 Escrow Fund—Moneys deposited in the Bonds of 1975 Escrow Fund from Bond proceeds and the Reserve Fund and Sinking Account for the 1975 Bonds, shall be used to purchase certain escrowed United States Treasury obligations, as discussed in the section of this official statement entitled "The Refunding Plan."

The Redevelopment Fund—Moneys deposited in the Rincon de los Esteros Project Redevelopment Fund from Bond proceeds and any other sources, if required by the Agency, shall be used for the purpose of aiding in financing the Project. All moneys in excess of those required to complete the Project may be transferred from the Redevelopment Fund to the Special Fund, or be held in the Redevelopment Fund

to assist in financing subsequent phases of the Project, if any, as determined by the Agency.

The Special Fund—Under the provisions of the Resolution, the Agency authorizes and directs the payment of Tax Revenues, as defined in a preceding section, directly to the Fiscal Agent for deposit in the Rincon de los Esteros Project Special Fund.

So long as any of the Bonds are outstanding, moneys in the Special Fund shall be set aside in the following special accounts and be used in the following order of priority:

(1) *Interest Account.* On or before the last day of February 1978, and the last days of each August and February thereafter, the Fiscal Agent shall set aside from the Special Fund in the Interest Account an amount sufficient to pay the aggregate interest on all of the outstanding Bonds on the next succeeding interest payment date. Any funds so set aside shall be applied solely to the payment of interest on the Bonds when due (including accrued interest on any Bonds purchased or redeemed prior to maturity).

(2) *Principal Account.* On or before the last day of each August, commencing August 1979, the Fiscal Agent shall set aside from the Special Fund in the Principal Account an amount sufficient to pay the aggregate yearly principal becoming due and payable on the outstanding Bonds on the next principal payment date. All funds in the Principal Account shall be applied solely for the payment of principal of the Bonds when due and payable.

(3) *The Reserve Fund.* After making the foregoing deposits, the Fiscal Agent shall set aside in the Rincon de los Esteros Reserve Fund an amount sufficient to maintain the Minimum Reserve (as defined below) in said Reserve Fund.

Moneys in the Reserve Fund (initially equal to maximum annual debt service on the Bonds) shall be withdrawn and used by the Fiscal Agent solely for the purpose of paying the interest on and principal of the Bonds, or for the purpose of retiring all of the Bonds at the time outstanding.

At all times, a Minimum Reserve (an amount equal to maximum annual debt service due on the Bonds) shall be maintained in the Reserve Fund. Should the amount in the Reserve Fund be less than the required Minimum Reserve, the Fiscal Agent shall restore the balance by transfer of the first available moneys in the Special Fund.

(4) *Surplus.* The Fiscal Agent on or before December 31 of each year, commencing December 31, 1977, shall ascertain the amount of Tax Revenues received or to be received during the then current fiscal year by the Agency based upon the most recent assessed valuation of taxable property in the Project (as certified by the Auditor-Controller of Santa Clara County), and shall estimate that portion of said Tax Revenues which will be in excess of 125% of the amount of principal and interest which shall have become due or to become due during said fiscal year on the Bonds (and any additional bonds) then outstanding, and shall promptly notify the Agency of the excess portion so determined. The Agency may, by written notice to the Fiscal Agent within 30 days after receipt of such notification, direct that an amount not exceeding said excess portion: (a) be used for the purchase and/or call and redemption of outstanding Bonds; or (b) be paid to the Agency, which amount may be used by the Agency for any purpose authorized in the Law, provided that with respect to this subparagraph (b) the following conditions have been met: (i) The deposits required by the foregoing subsections (1), (2) and (3) have been made so that the required amounts are in the above mentioned accounts as shown by a notification of the Fiscal Agent; (ii) the Agency shall have filed with the Fiscal Agent a certification to the effect that the Agency has actually incurred an obligation on behalf of the Project (other than the obligation created under the Resolution), and has no later than the next preceding October 1, filed such supporting documentation attesting thereto as the Auditor-Controller of the County of Santa Clara shall deem necessary; and (iii) the Fiscal Agent shall have certified that the Agency is not in default under the terms of the Resolution or of the Bonds.

Upon receipt of the Tax Revenues, the Fiscal Agent shall make such payment or payments, as directed by the Agency.

The annual amounts retained in the Special Fund shall be accumulated and applied by the Fiscal Agent to the purchase or call of outstanding 1977 Bonds in accordance with the terms of the Resolution.

Property Tax Rate Limitations and Exemptions

The California Legislature has enacted legislation intended to limit future increases in ad valorem

property tax rates. This legislation generally limits all future general purpose tax rates to that imposed during either the 1971/72 or 1972/73 fiscal year, or the rates set by the enabling statute of the particular taxing entity. Tax rate limits may be raised by any amount which is approved by a majority vote of the electorate. Tax rates may also be increased under an inflation or "cost-of-living" formula incorporated in the legislation. This legislation does not restrict tax rates levied for certain limited purposes, e.g. general obligation bonds or for voter approved pension plans.

Certain exemptions from property taxes have been granted to specific classes of property located in California. Revenues lost by local taxing agencies from two of these exemptions (the homeowners' property tax exemption and the business inventories exemption, which are discussed under the section "City Financial Data" in this official statement) are reimbursed by the State and are allocated to eligible redevelopment agencies in the same manner as locally collected taxes. Revenues lost as a result of other types of exemptions are not reimbursed, but assessed valuations of such exempt property are not reflected in either the frozen base roll or subsequent years' rolls. There is no assurance that additional tax rate limitations or exemptions will not be approved, nor is there any assurance that revenues lost will continue to be reimbursed to local taxing agencies or allocated to redevelopment agencies. To the extent that such limitations or exemptions are approved and the reimbursement and allocation of lost revenues are not made, the security of the Bonds could be adversely affected.

Redevelopment agencies in California do not have the power to levy or collect property taxes, but must rely upon the taxes levied on property within a project by other taxing agencies for the production of Tax Revenues. The Project is comprised of 32 tax code areas with 1976/77 tax rates ranging from a low of \$9.487 per \$100 assessed valuation against all taxable property to a high of \$11.804, and from \$0.088 per \$100/A.V. against land and improvements only to \$0.097. However, approximately 76 percent of all taxable property is subject to a rate of \$10.161, and 99.9 percent of land and improvements only are subject to a rate of \$0.088 per \$100/A.V. (percentages computed on the basis of assessed valuation). For the purposes of this official statement, projections of Tax Revenues to be received in or for 1977/78 and subsequent years are based upon the two latter rates for all prop-

erty (\$10.161) and land and improvements only (\$0.088), which excludes personal property.

On December 30, 1976, the Supreme Court of California affirmed a judgment of the Superior Court of California for the County of Los Angeles, holding the California system of financing public elementary and high schools, based on ad valorem taxation invalid under the California Constitution. (*Serrano v. Priest*, ___ Cal. 3rd ____).

The affirmed judgment of the Superior Court also provides: (1) that the judgment is not intended to invalidate, and shall not be construed as invalidating in any way, any past acts constituting the operation of the school financing system; (2) that the existing school financing system shall continue to operate for a reasonable length of time (but in no event later than September 1980) so that a constitutional system can be designed, enacted into law, and placed into operation; (3) that any redesign of the school financing system which provides for elimination of unconstitutional features on a gradual basis must be such that the redesigned school financing system will be fully constitutional no later than six years from date of entry of the judgment, and that otherwise there will be a denial to the plaintiffs of their constitutional rights for an unreasonable length of time; and (4) that the Trial Court is retaining jurisdiction so that any of the parties may apply for appropriate relief in the event that relevant circumstances develop, such as a failure by the legislative and executive branches to take the necessary steps to design, enact into law, and place into operation, within a reasonable time from entry of the judgment, a fully constitutional system.

To the extent that this decision, and any future legislative or judicial action required to implement or enforce such decision, may limit the ability of schools to continue to levy ad valorem property taxes for the support of education, Tax Revenues will be reduced, adversely affecting the security of the Bonds. The total 1976/77 tax rate for public elementary and high schools within more than 75 percent (by assessed valuation) of the Project is \$4.792 per \$100 assessed valuation, of which an undetermined portion would be subject to such decision.

Issuance of Additional Bonds

The Agency may, by Supplemental Resolution, issue Additional Bonds to pay the costs of the Project (including subsequent phases of the Project, if any) provided:

a. The Agency must be in compliance with all covenants set forth in the Resolution.

b. The Reserve Fund must be increased, if necessary, by an amount sufficient to maintain the Minimum Reserve (maximum annual debt service due on the Bonds and any Additional Bonds).

c. The Additional Bonds must mature on September 1, and interest thereon is to be payable September 1 and March 1 of each year, except the first year, which may be payable at the end of said year.

d. Tax Revenues produced or to be produced from the most recent equalized assessed valuation of taxable property located in the Project (including an allowance for estimated Tax Revenues to be derived upon completion from construction actually in progress on the date of issuance of such Additional Bonds within two years of the date of issuance of such Additional Bonds) are at least equal to 1.25 times the assumed average annual debt service on all series of the outstanding Bonds and the Additional Bonds proposed to be issued, as opined to by an independent certified public accountant or independent real estate or financial consultant (as defined in the Resolution) employed by the Agency (the computation of assumed average annual debt service is to be made on the basis of approximately equal annual payments of principal plus interest over the entire term of the Bonds and the Additional Bonds proposed to be issued). For purposes of this computation, taxable property shall include assessed valuations of property exempt from local property taxation by reason of the homeowners' and business exemptions, and any other exemptions enacted by statute or imposed by judicial decision, to the extent that in-lieu payments for such exemptions are made to the Agency.

e. The Agency must have received all required approvals of any governmental authority having jurisdiction over the Additional Bonds or their terms.

The Agency does not anticipate issuing any Additional Bonds for the Rincon de los Esteros Redevelopment Project within the next 12 months.

Refunding Bonds

Existing State Law provides that refunding bonds secured by Tax Revenues derived from the Rincon de los Esteros Redevelopment Project may be issued

for the purpose of refunding all or any series of the Bonds then outstanding.

Certain Covenants of the Agency

Certain covenants of the Agency under the Resolution are summarized in the following paragraphs.

1. The Agency will punctually pay, or cause to be paid, the principal of and interest on the Bonds as they become due.

2. The Agency will not encumber, pledge, or place any charge or lien upon any of the Tax Revenues superior to or on a parity with the pledge and lien created in the Resolution except as provided in the Resolution.

3. The Agency will deposit and use the Bond proceeds as provided in the Resolution, and will manage and operate all properties owned by the Agency and comprising any part of the Project in a sound and businesslike manner and will keep such properties insured at all times in conformity with sound business practice.

4. The Agency will pay and discharge, or cause to be paid and discharged, any governmental charges imposed, and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien or charge which might impair the security of the Bonds. The Agency does not, however, covenant to make any such payment so long as the Agency in good faith shall contest the validity of said claims.

5. The Agency will keep proper books of accounts and will cause to be prepared within 120 days after the close of each fiscal year complete financial statements, in reasonable detail, on the Project, the Tax Revenues and other funds and accounts as provided in the Resolution, all as certified by an independent certified public accountant. The Agency will furnish a copy of such statements to any Bondholder upon written request. Said books and accounts will be maintained separate and apart from those of the City of San Jose.

6. The Agency will carry out to completion with all practical dispatch the Project, and the Project will be accomplished and completed in a sound and economical manner and in conformity with the Redevelopment Plan, and the Community Redevelopment Law. The Redevelopment Plan may be amended as provided in the Law, but no such amendment may be made which would substantially impair the security of the Bonds or the rights of the Bondholders.

7. If all or any part of the Project owned by the Agency shall be taken by eminent domain pro-

ceedings, the net proceeds realized by the Agency therefrom shall be deposited with the Fiscal Agent in the Special Fund for the purpose of paying principal of and interest on the Bonds subject to the terms and conditions contained in the Resolution.

8. Whenever any property in the Project has been redeveloped and thereafter is leased by the Agency to any person or persons (other than the City of San Jose or a public instrumentality thereof), or whenever the Agency leases real property in the Project to any person or persons for redevelopment, the property shall be assessed and taxed in the same manner as privately owned property (in accordance with Section 33673 of the Health and Safety Code of the State of California), and the lease or contract shall provide: (a) that the lessee shall pay taxes upon the assessed value of the entire property and not merely upon the assessed value of their leasehold interest, and (b) that if for any reason the taxes paid by the lessee on such property in any year during the term of the lease or contract shall be less than the taxes which would have been payable upon the assessed value of the entire property if the property were assessed and taxed in the same manner as privately owned property, the lessee shall pay such difference to the Fiscal Agent within thirty days after the taxes for such year become payable to the taxing agencies and in any event prior to the delinquency date or dates of such taxes established by law. All such payments to the Fiscal Agent shall be treated as Tax Revenues and shall be deposited by the Fiscal Agent in the Special Fund.

9. The Agency will not dispose of more than 10% of the land area in the Project (other than property shown by the Redevelopment Plan in effect as of the date of the Resolution as planned for public use, or for such other limited public uses as specified in the Resolution) to public bodies or other persons or entities whose property is tax exempt if as a result of such disposition the security of the Bonds or the rights of the Bondholders will be substantially impaired.

10. The Agency will preserve and protect the security of the Bonds and the rights of the Bondholders, and will warrant and defend their rights against all claims and demands of all persons.

11. The Agency will not invest or cause to be invested proceeds of the Bonds in a manner which would result in the Bonds becoming taxable arbitrage bonds within the meaning of Section 103(c) of the Internal Revenue Code, as amended, and applicable regulations adopted thereunder.

Deposit and Investment of Moneys in Funds

Subject to the provisions of the Resolution, all moneys held by the Fiscal Agent in the Redevelopment Fund and the Special Fund, except such moneys which are at the time invested, shall be held in time or demand deposits in any bank or trust company authorized to accept deposits of public funds (including the banking department of the Fiscal Agent) and shall be secured at all times by bonds or other obligations which are authorized by laws as security for public deposits, of a market value at least equal to the amount required by law.

Moneys in the Redevelopment Fund and the Special Fund may, and upon written request of the Agency shall, be invested by the Fiscal Agent in certain Federal securities as described in the Resolution.

Obligations purchased as an investment of moneys in any of said funds shall be deemed at all times to be a part of such fund and any gain realized from such investment shall be credited to such fund and any loss resulting from any such authorized investment shall be charged to such fund without liability to the Agency or the members and officers thereof or to the Fiscal Agent. Investment income from moneys in the Reserve Fund in excess of the Minimum Reserve may, at the request of the Agency, be transferred to the Redevelopment Fund, and investment income from moneys in the Redevelopment Fund may be so transferred to the Reserve Fund.

For the purpose of determining at any given time the balance in the Redevelopment Fund and the Special Fund, any investment constituting a part of each fund shall be valued at the estimated market value of such investment.

Event of Default—Remedies

The Resolution declares each of the following events to be an event of default:

- (1) Failure to pay the principal on the Bonds when due and payable;
- (2) Failure to pay interest on the Bonds when due and payable; if such failure shall have continued for 30 days;
- (3) Default by the Agency in the performance or observance of any of the covenants, agreements or conditions in the Bonds or in the Resolution if such default continues for sixty (60) days after written notice thereof has been given

to the Agency by the Fiscal Agent or by the holders of not less than 25% in aggregate principal amount of the Bonds then outstanding; or

(4) If the Agency files a petition or answer seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America, or if a court of competent jurisdiction approves a petition, filed with or without the consent of the Agency, seeking reorganization under the federal bankruptcy laws or any other applicable law of the United States of America, or if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction assumes custody or control of the Agency or of the whole or any substantial part of its property.

In the case of an event of default, the Fiscal Agent or the holders of not less than a majority in aggregate principal amount of the Bonds at the time outstanding may declare the principal of all the Bonds then outstanding and the interest thereon to be due and payable immediately.

In addition, in the case of an event of default any Bondholder shall have the right, for the equal benefit and protection of all Bondholders similarly situated—

(1) By mandamus, suit, action or proceeding, to compel the Agency and its members, officers, agents or employees to perform each and every term, provision and covenant contained in the Resolution and in the Bonds, and to require the carrying out of any or all such covenants and agreements of the Agency and the fulfillment of all duties imposed upon it by the Law;

(2) By suit, action or proceeding in equity, to enjoin any acts or things which are unlawful, or the violation of any of the Bondholders' rights; or

(3) Upon the happening of any event of default, by suit, action or proceeding in any court of competent jurisdiction, to require the Agency and its members and employees to account as if it and they were the trustees of an express trust.

The Resolution provides that no remedy conferred therein upon the Fiscal Agent or the Bondholders shall be exclusive of any other remedy, and that each and every remedy shall be cumulative and shall be in addition to every other remedy given under the Resolution or thereafter conferred upon the Fiscal Agent or Bondholders. However, the effect of any such remedies may be limited by the laws of

the State of California affecting such remedies and may also be limited by laws governing bankruptcy, insolvency or other matters affecting enforcement of creditors' rights.

Amendment of the Resolution

The Resolution may be modified or amended by a Supplemental Resolution only with the consent of the holders of 60% of all Bonds then outstanding (exclusive of disqualified Bonds, as defined in Section 7.04 of the Resolution) unless the modification or amendment is for the purpose of curing ambiguities or defects in the Resolution; grants or confers upon the Bondholders additional rights, remedies, powers, authority or security; or to provide for the issuance of Additional Bonds in conformity with the provisions of the Resolution, in which case no Bond-

holder's consent is required. No modification or amendment of the Resolution shall: (1) extend the maturity of any Bond or reduce the interest rate thereon, or otherwise alter or impair the obligation of the Agency to pay the principal thereof, or interest thereon, or any premium payable on the redemption thereof, at the time and place and at the rate and in the currency provided therein, without the express consent of the holder of such Bond, or (2) permit the creation by the Agency of any mortgage, pledge or lien upon the Tax Revenues, superior to or on a parity with the pledge and lien therein created for the benefit of the Bonds, or reduce the percentage of Bonds required for the affirmative vote or written consent to an amendment or modification, or (3) modify any of the rights or obligations of the Fiscal Agent or of any Paying Agent without its written consent.

THE REFUNDING PLAN

Escrow Agreement

Prior to the delivery of the 1977 Bonds, the Agency will enter into an escrow agreement (the "Escrow Agreement") with the Bank of America National Trust and Savings Association in San Francisco, California (the "Escrow Bank"). Under the Escrow Agreement, moneys will be deposited in the Escrow Fund, a special trust fund created from specified proceeds of the 1977 Bonds upon delivery thereof and be used to purchase escrowed United States Treasury Obligations-State and Local Government Series, to pay the 1975 Bond requirements. Escrowed United States Treasury obligations held in trust in the Escrow Fund, including subsequent investment earnings therefrom must be in amounts sufficient to pay scheduled debt service requirements on the 1975 Bonds due March 1, 1978 through September 1, 1989 as well as provide for the redemption of the remaining 1975 Bonds due September 1, 1997, on September 1, 1989, the initial call date.

Under no circumstances will any deposit or investment of moneys in the Escrow Fund be made at materially higher yields than the yield on the 1977 Bonds if such investment or deposit would cause the 1977 Bonds to be "arbitrage bonds" under section 103(c) of the Internal Revenue Code of 1954, as amended, and rules and regulations prescribed subsequent thereto.

A statement or report provided by a certified public accountant as to the sufficiency of funds to meet debt service requirements of the 1975 Bonds in the Escrow Fund shall be furnished as a condition precedent to delivery of the 1977 Bonds.

As the 1975 Bonds are retired or if provision for payment shall have been made with the Fiscal Agent so that such issue is paid in full and discharged, the Escrow Bank will be required to immediately transfer to the 1977 Bonds Special Fund of the Agency any moneys remaining in the Escrow Fund and submit a final report.

The Escrow Fund

The Escrow Fund is established by the Resolution to provide for the orderly retirement of the 1975 Bonds. Moneys deposited in the Escrow Fund will be placed in escrowed United States Treasury Obligations-State and Local Government Series, in such amounts and maturities which, together with investment earnings therefrom and funds in the 1975 Bonds Reserve Fund and Sinking Account (and any other required funds), will be sufficient to meet principal and interest when due on the 1975 Bonds as well as to provide for the redemption on the initial call date of all remaining 1975 Bonds.

Sources of Funds for the Escrow Fund

The following table presents an estimate of the amount of moneys needed to establish the Escrow Fund, assuming a mid-October 1977 delivery date of the 1977 Bonds.

Table 1
RINCON de los ESTEROS REDEVELOPMENT PROJECT

1975 Bonds Escrow Fund

Sources and Application of Funds

1975 Bonds—Requirements:	
Principal Amount of 1975 Bonds ..	\$5,460,000
Interest to First Call Date	3,817,355
Call Premium	131,200
	<u>\$9,408,555</u>
1975 Bonds—Sources of Payment:	
Federal Securities (principal amount)	\$5,836,100
Interest on Federal Securities	3,572,286
Existing Funds	169
	<u>\$9,408,555</u>
Uses of 1977 Bond Proceeds:	
Purchase of Federal Securities	\$5,836,100
Initial Escrow Deposit	755
	<u>Escrow Fund Deposit</u>
	<u>\$5,836,855</u>

REDEVELOPMENT AGENCY OF THE CITY OF SAN JOSE

The Redevelopment Agency

In 1956, the San Jose City Council took action that formally recognized the need for redevelopment of portions of the City. The Agency was created under the provisions of the Community Redevelopment Law by Resolution 12604 adopted by the City Council on October 1, 1956. On January 14, 1975, the City Council declared itself to be the Agency, and the City Manager was authorized to act as Executive Director of the Agency.

The Agency staff is organized as a unit reporting to the City Manager. The employees assigned to Agency activities are city employees. However, three full-time Agency employees are under a separate retirement system rather than under the general city system as are the rest of the Agency staff.

City staff provides technical services connected with the redevelopment projects, including fiscal services, engineering, planning and other functions necessary for project implementation.

The City Manager, Mr. Ted Tedesco, also acts as Executive Director of the Agency. Mr. Tedesco has been City Manager since 1973. He holds a Bachelor of Arts Degree in Political Science from the University of Rhode Island and a Master of Public Administration Degree from the University of Michigan. He is currently a member of the Inter-Governmental Science, Engineering and Technology Advisory Panel of the White House.

Mr. Russell T. Campbell is the Agency's Assistant Executive Director. He joined the City in 1976 following positions of successive responsibility in city management in Colorado. Mr. Campbell holds a Ph.D in Government from the University of Colorado.

Ms. Pat A. Forst is the Administrative Assistant for the Agency. Ms. Forst has been with the Agency since 1969, serving both during the period of operational independence from the City and under present procedures. Prior to this, she spent five years with HUD as a statistical analyst.

Mr. Stanley Z. Twardus, as Director of the Office of Economic Development, is responsible for all industrial development within the City, including such development within the Agency's Rincon de los Esteros Redevelopment Project. Mr. Twardus has been with the City since 1948 and holds a Bachelor of Science Degree in Civil Engineering from San Jose State University.

Agency financial records are maintained in the City's Finance Department under the supervision of Mr. Robert Lincoln, Chief of the City's Accounting Division, who also serves as Controller of the Agency. Mr. Lincoln has been a city employee since 1959 and holds a Bachelor of Science Degree in Business Administration from the University of Colorado.

All Agency checks are signed by both Mr. Lincoln and Mr. Kent South, who is the City Director of Finance. Mr. South has been with the city since 1963 and holds a Bachelor of Science Degree from Brigham Young University and a Master of Business Administration Degree from UCLA.

Powers

All powers of the Agency are vested in its seven members. Under the Community Redevelopment Law, the Agency is a separate public body and exercises governmental functions in executing duly adopted redevelopment projects. As such, the Agency has the authority to acquire, develop, administer, and sell or lease property, including the right of eminent domain, the right to accept financial assistance from any source, and to issue bonds and expend their proceeds.

The Agency may also clear buildings or other improvements, develop as a building site any real property owned or acquired, and in connection with such development, may provide for the installation of streets, utilities, sidewalks, and other necessary public improvements. With the exception of publicly owned structures and facilities benefiting the project, the Agency itself cannot construct or cause to be constructed any buildings contemplated under the redevelopment plan but must convey property in the project by sale or lease for private redevelopment in strict conformity with the plan. The Agency may specify a period of time within which such development must begin.

Tax Allocation Financing

The Community Redevelopment Law authorizes a method of financing redevelopment projects based

upon a prescribed allocation of property taxes collected within a project. The assessed valuation of taxable property within a project is, in effect, frozen at the level existing prior to adoption of the redevelopment plan, and all overlapping taxing bodies continue to receive the taxes derived by the levy of the current tax rate against this frozen base. All property taxes collected each year after the adoption of the redevelopment plan upon any increase in assessed valuation above the established base level may be credited to a redevelopment agency and pledged to the repayment of any indebtedness incurred by an agency in the development of the project. After all such indebtedness has been repaid, the total taxes produced by the project thereafter accrue to the respective taxing bodies in the usual manner. Thus, the tax allocation procedure not only permits each taxing agency to levy and collect taxes on the level of assessed valuation existing in a project prior to redevelopment, but also provides that increases in assessed valuation occurring as a result of such redevelopment may be used as a basis for the repayment of costs or indebtedness incurred on behalf of the project.

During the course of redevelopment, assessed valuations may temporarily be less than the frozen base, as a redevelopment agency acquires land and improvements and the properties are removed from the tax rolls by virtue of the transfer to public ownership. As an agency disposes of the land for purposes of redevelopment, it is returned to the tax rolls with an assessed valuation that usually reflects the higher level of planned use prescribed in the redevelopment plan. In the event that privately owned property is acquired and permanently removed from the tax rolls for public uses, the frozen base valuation may be reduced proportionately so that the ability to generate Tax Revenues from any new development will not be impaired. A recent decision of the California Supreme Court may, however, limit or eliminate such reduction of assessed valuations, depending upon the uses to which such property is put.

As previously stated, the Community Redevelopment Law authorizes the issuance of bonds by a redevelopment agency, and the payment of bond service costs is permitted from any one or a combination of stated sources. The Rincon de los Esteros

Redevelopment Project, 1977 Tax Allocation Bonds are secured by a pledge of tax receipts produced from the incremental assessed valuation of the Project (defined as the Tax Revenues) which are to be paid directly into the Agency's Special Fund established for the benefit of the Bondholders, and held by the Fiscal Agent. As discussed previously, Tax Revenues received each year in excess of 125 percent of aggregate annual interest and principal requirements on the Bonds (and for other required payments and deposits, if any) may be paid to the Agency by the Fiscal Agent.

Agency Financial Statements

The Redevelopment Agency of the City of San Jose is a public entity separate and apart from the City of San Jose. The Agency is staffed at the present time by 4 city employees and 3 Agency employees. Additional city staff members assist the Agency when needed on a part-time basis.

All accounting records of the Agency operations are maintained by the City Finance Department separately from city accounting records. All Agency administrative costs have been financed from Community Development Block Grant funds received from HUD under Title 1 of the Housing and Community Development Act of 1974. Tax increment revenues have been used for redevelopment project activities and not for general Agency administration.

The Agency does not have annual audits performed for the overall Agency. However, in accordance with State law, the Agency annually reports its financial transactions to the State Controller. Table 2 on page 15 presents a summary of source and application of funds for the Agency for fiscal years 1974/75 and 1975/76 as reported to the State Controller (latest available reports). Table 3 on page 16 presents the Agency's June 30, 1975 and June 30, 1976 Balance Sheets. The Agency has bi-annual audits conducted on all HUD projects.

The Agency has annual independent audits made of all tax allocation bond issues. The latest audit report (for fiscal year 1976/77 with comparable data for the previous year) for the Rincon de los Esteros Redevelopment Project 1975 Tax Allocation Bonds is reproduced in its entirety beginning on page 17 of this official statement.

Table 2
REDEVELOPMENT AGENCY OF THE CITY OF SAN JOSE
Source and Application of Funds

	1974/75				1975/76			
	Conventional Project	NDP Project	Tax Increment Funds	Grand Total	Conventional Project	NDP Project	Tax Increment Funds	Grand Total
Source of Funds:								
Funds on Hand, July 1								
Project cash	\$ 3,736	\$ (30,363)	\$ 141,239	\$ 114,612	\$ (62,742)	\$ (145,205)	\$ 40,016	\$ (167,931)
Investments	4,394,790	400,192	1,798,197	6,593,179	4,427,829	368,236	4,373,791	9,169,856
Subtotal	\$ 4,398,526	\$ 369,829	\$ 1,939,436	\$ 6,707,791	\$ 4,365,087	\$ 223,031	\$ 4,413,807	\$ 9,001,925
Cash Receipts:								
Advances/note sales	\$18,195,000	\$ 595,000	\$ —	\$18,790,000	\$15,915,000	\$ —	\$ —	\$15,915,000
Tax allocation bond sale	—	—	7,030,000	7,030,000	—	—	5,341,479	5,341,479
Tax increments collected	—	—	676,324	676,324	—	—	2,091,865	2,091,865
Interest income	337,087	23,587	336,092	696,766	200,571	8,570	433,884	643,025
Land sales	472,623	—	—	472,623	160,000	—	—	160,000
Federal project grants	965,386	354,002	—	1,319,388	1,935,424	441,998	—	2,377,422
Federal relocation grants	154,900	—	—	154,900	102,987	2,091	—	105,078
Local aid	143,104	—	—	143,104	—	22,675	—	22,675
Rental income	127,250	501	—	127,751	124,486	—	—	124,486
Other income	—	9,533	10,663	20,196	—	33,318	—	33,318
Subtotal	\$20,395,350	\$ 982,623	\$8,053,079	\$29,431,052	\$18,438,468	\$ 508,652	\$ 7,867,228	\$26,814,348
Total Funds Available	\$24,793,876	\$1,352,452	\$9,992,515	\$36,138,843	\$22,803,555	\$ 731,683	\$12,281,035	\$35,816,273
Application of Funds:								
Retirement of advances/notes	\$16,835,000	\$ 595,000	\$ 50,000	\$17,480,000	\$18,195,000	\$ 595,000	\$ —	\$18,790,000
Retirement of tax allocation bonds	—	—	—	—	—	—	—	—
Interest on borrowed funds	772,305	29,934	—	802,239	(168)	13,512	—	13,344
Bond interest	—	—	414,771	414,771	—	—	1,066,231	1,066,231
Gross project cost	2,643,271	429,842	—	3,073,113	2,341,274	120,869	—	2,462,143
Relocation payments	148,398	37,281	—	185,679	13,549	(40)	—	13,509
Other disbursements	29,815	37,364	5,113,937	5,181,116	7,585	2,342	1,223,202	1,233,129
Subtotal	\$20,428,789	\$1,129,421	\$5,578,708	\$27,136,918	\$20,557,240	\$ 731,683	\$ 2,289,433	\$23,578,356
Funds on Hand, June 30								
Project cash	\$ (62,742)	\$ (145,205)	\$ 40,016	\$ (167,931)	\$ 22,181	\$ —	\$ 250,750	\$ 272,931
Investments	4,427,829	368,236	4,373,791	9,169,856	2,224,134	—	9,740,852	11,964,986
Subtotal	\$4,365,087	\$ 223,031	\$4,413,807	\$ 9,001,925	\$ 2,246,315	\$ —	\$ 9,991,602	\$12,237,917
Total Funds Disbursed and on Hand	\$24,793,876	\$1,352,452	\$9,992,515	\$36,138,843	\$22,803,555	\$ 731,683	\$12,281,035	\$35,816,273

Source: Redevelopment Agency of City of San Jose, as reported to State Controller.

Table 3
Balance Sheets

	June 30, 1975			June 30, 1976		
	Conventional Project	NDP Project	Grand Total	Conventional Project	NDP Project	Grand Total
ASSETS						
Cash	\$ 47,335	\$ (62,826)	\$ (15,491)	\$ 15,913	\$ —	\$ 15,913
Accounts Receivable	152,700	43,668	196,368	46,557	—	46,557
Investments Held	4,427,829	368,236	4,796,065	2,224,134	—	2,224,134
Net Project Costs	30,214,432	691,478	30,905,910	35,960,954	1,212,377	37,173,331
Relocation Payments	1,517,821	—	1,517,821	1,531,370	—	1,531,370
Other assets	29,815	46,897	76,712	37,400	49,240	86,640
Total Assets	<u>\$36,389,932</u>	<u>\$1,087,453</u>	<u>\$37,477,385</u>	<u>\$39,816,328</u>	<u>\$1,261,617</u>	<u>\$41,077,945</u>
LIABILITIES						
Current Liabilities	\$ 159,796	\$ 92,729	\$ 252,525	\$ 26,745	\$ —	\$ 26,745
Accrued Interest Payable .	170,631	2,871	173,502	—	—	—
Loans Payable	18,195,000	595,000	18,790,000	15,915,000	—	15,915,000
Subtotal Liabilities ..	<u>\$18,525,427</u>	<u>\$ 690,600</u>	<u>\$19,216,027</u>	<u>\$15,941,745</u>	<u>\$ —</u>	<u>\$15,941,745</u>
CAPITAL						
Local cash grants	\$ 1,205,752	\$ —	\$ 1,205,752	\$ 1,205,752	\$ 22,675	\$ 1,228,427
Local non-cash grants ...	97,500	—	97,500	4,158,605	398,000	4,556,605
Federal project grants ...	15,043,432	—	15,043,432	16,978,856	796,000	17,774,856
Federal relocation grants .	1,517,821	354,002	1,871,823	1,531,370	44,942	1,576,312
Other grants	—	42,851	42,851	—	—	—
Subtotal Capital	<u>\$17,864,505</u>	<u>\$ 396,853</u>	<u>\$18,261,358</u>	<u>\$23,874,583</u>	<u>\$1,261,617</u>	<u>\$25,136,200</u>
Total Liabilities and Capital	<u>\$36,389,932</u>	<u>\$1,087,453</u>	<u>\$37,477,385</u>	<u>\$39,816,328</u>	<u>\$1,261,617</u>	<u>\$41,077,945</u>

Source: Redevelopment Agency of City of San Jose, as reported to State Controller.

AUDIT

REDEVELOPMENT AGENCY
OF THE CITY OF SAN JOSE

RINCON DE LOS ESTEROS REDEVELOPMENT PROJECT
1975 TAX ALLOCATION BONDS

FINANCIAL STATEMENTS
AND
AUDITOR'S OPINION LETTER

AS OF JUNE 30, 1977

REDEVELOPMENT AGENCY OF THE CITY OF SAN JOSE
RINCON DE LOS ESTEROS REDEVELOPMENT PROJECT
1975 TAX ALLOCATION BONDS

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Notes to Financial Statements	25-26-27

RONALD J. STORTZ
CERTIFIED PUBLIC ACCOUNTANT

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Chairperson and Directors
Redevelopment Agency of the City of San Jose
San Jose, California

I have examined the balance sheets of the REDEVELOPMENT AGENCY OF THE CITY OF SAN JOSE, RINCON DE LOS ESTEROS REDEVELOPMENT PROJECT, 1975 TAX ALLOCATION BONDS as of June 30, 1977 and the related Statements of Revenue, Expenses and Changes in Fund Balances for the year then ended. The following funds were included in the audit:

Redevelopment Fund
Special Fund
Bond Interest Fund
Principal Paying Fund
Bond Reserve Fund
Sinking Fund

My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as I considered necessary in the circumstances.

In my opinion, the aforementioned financial statements present fairly the financial position of the RINCON DE LOS ESTEROS REDEVELOPMENT PROJECT, 1975 TAX ALLOCATION BONDS, at June 30, 1977 and the results of operations for the year then ended, in conformity with generally accepted accounting principles consistently applied during the period subsequent to the change, with which I concur, made as of July 1, 1976, to the direct write off of the bond financing costs incurred in 1975 and the bond discount (See Note 4).

Ronald Stortz

August 15, 1977

REDEVELOPMENT AGENCY OF THE CITY OF SAN JOSE
RINCON DE LOS ESTEROS REDEVELOPMENT PROJECT
1975 TAX ALLOCATION BONDS
BALANCE SHEETS
JUNE 30, 1977

ASSETS

LIABILITIES AND FUND BALANCES

	<u>1977</u>		<u>1977</u>
		<u>REDEVELOPMENT FUND (Note 1)</u>	
Cash in Bank of America - -	\$ 3,821	Fund Balance - -	\$ 102,408
Accrued interest receivable -	784		
Investments - - -	<u>97,803</u>		
Total - - -	\$ <u>102,408</u>	Total - -	\$ <u>102,408</u>
		<u>SPECIAL FUND (Note 2)</u>	
Cash in Bank of America - -	\$ -	Fund Balance - -	\$ -
Investments - - -	<u>-</u>		
Total - - -	\$ <u>-</u>	Total - -	\$ <u>-</u>
		<u>BOND INTEREST FUND</u>	
Cash in Bank of America - -	\$ -	Fund Balance - -	\$ 197,995
Accrued interest receivable -	871		
Investments held - - -	<u>197,124</u>		
Total - - -	\$ <u>197,995</u>	Total - -	\$ <u>197,995</u>
		<u>PRINCIPAL PAYING FUND</u>	
Cash in Bank of America - -	\$ -	Fund Balance - -	\$ 121,699
Accrued interest receivable -	1,699		
Investments held - - -	<u>120,000</u>		
Total - - -	\$ <u>121,699</u>	Total - -	\$ <u>121,699</u>

NOTE: These statements are presented subject to the attached letter and notes.

JUNE 30, 1977

LONG TERM LIABILITIES

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REDEVELOPMENT AGENCY OF THE CITY OF SAN JOSE

RINCON DE LOS ESTEROS REDEVELOPMENT PROJECT

1975 TAX ALLOCATION BONDS

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 1977

	Redevelopment Funds	Special Fund	Bond Interest Fund	Principal Paying Fund	Bond Reserve Fund	Sinking Fund	Total All Funds
Revenues:							
Investment income -	\$ 66,890	\$ 34,014	\$ 7,646	\$ 1,699	\$ 81,867	\$ 70,688	\$ 262,804
Tax increment revenue (Note 2)	-	1,677,814	-	-	-	-	1,677,814
Total revenue -	\$ 66,890	\$ 1,711,828	\$ 7,646	\$ 1,699	\$ 81,867	\$ 70,688	\$ 1,940,618
Expenses:							
Capital improvements (Note 3) - -	\$ 3,248,360	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,248,360
Fiscal Agent - -	6,356	-	-	-	-	-	6,356
Advertising costs -	29	-	-	-	-	-	29
Legal and accounting	1,800	-	-	-	-	-	1,800
Interest expense -	-	-	591,371	-	-	-	591,371
Total expenses -	\$ 3,256,545	\$ -	\$ 591,371	\$ -	\$ -	\$ -	\$ 3,847,916
Excess (deficiency) of revenue over expense - -	\$ (3,189,655)	\$ 1,711,828	\$ (583,725)	\$ 1,699	\$ 81,867	\$ 70,688	\$ (1,907,298)
Other Changes in Fund Balances:							
Transfers to:							
Bond Interest Fund	\$ -	\$ (365,032)	\$ 365,032	\$ -	\$ -	\$ -	
Principal Paying Fund	-	(120,000)	-	120,000	-	-	
Sinking Fund	-	(1,815,660)	-	-	-	1,815,660	
Redevelopment Fund	96,607	-	-	-	(96,607)	-	
Fund Balance at Beginning of Year (Note 4) -	\$ 3,195,456	\$ 588,864	\$ 416,688	\$ -	\$ 833,378	\$ 604,701	
Fund Balance to End of Year - -	\$ 102,408	\$ -	\$ 197,995	\$ 121,699	\$ 818,638	\$ 2,491,049	

NOTE: These statements are presented subject to the attached letter and notes.

REDEVELOPMENT AGENCY OF THE CITY OF SAN JOSE
 RINCON DE LOS ESTEROS REDEVELOPMENT PROJECT
 1975 TAX ALLOCATION BONDS
 STATEMENT OF BONDS AUTHORIZED AND ISSUED
AS OF JUNE 30, 1977

Principal amount of bonds authorized by Resolution No. 1735 \$5,580,000.

MATURITIES:

The bonds will mature on September 1 in each of the years and in the amounts as follows:

<u>Year</u>	<u>Principal Amount</u>	<u>Year</u>	<u>Principal Amount</u>
1977	\$120,000	1984	\$ 210,000
1978	130,000	1985	225,000
1979	140,000	1986	245,000
1980	150,000	1987	265,000
1981	165,000	1988	285,000
1982	175,000		
1983	190,000	1997	3,280,000

INTEREST RATES:

The bonds bear interest as set forth in the following schedule:

<u>Bond Maturing (Inclusive)</u>	<u>Interest Rate Per Annum</u>
1977-81	7.50%
1982-83	6.50%
1984-85	6.75%
1986	6.90%
1987-88	7.00%
1997	7.10%

REDEVELOPMENT AGENCY OF THE CITY OF SAN JOSE
RINCON DE LOS ESTEROS REDEVELOPMENT PROJECT
1975 TAX ALLOCATION BONDS
STATEMENT OF BONDS AUTHORIZED AND ISSUED
AS OF JUNE 30, 1977

Bonds maturing on or prior to September 1, 1988 (the "Serial Bonds") are not subject to call or redemption prior to their respective maturity dates. Bonds maturing on September 1, 1997 (the "Term Bonds") are subject to call and redemption as a whole or in part, by lot, at the option of the Agency, from any available source of funds, on any interest payment date commencing with September 1, 1989, upon payment of accrued interest to the date of call and a redemption price equal to the principal amount plus a premium, as shown in the following schedule (computed upon the principal amount of Bonds called for redemption).

- 104 % if redeemed on or after September 1, 1989,
and before September 1, 1990;
- 103½% if redeemed on or after September 1, 1990,
and before September 1, 1991;
- 103 % if redeemed on or after September 1, 1991,
and before September 1, 1992;
- 102½% if redeemed on or after September 1, 1992,
and before September 1, 1993;
- 102 % if redeemed on or after September 1, 1993,
and before September 1, 1994;
- 101½% if redeemed on or after September 1, 1994,
and before September 1, 1995;
- 101 % if redeemed on or after September 1, 1995,
and before September 1, 1996;
- 100½% if redeemed on or after September 1, 1996,
and before September 1, 1997.

REDEVELOPMENT AGENCY OF THE CITY OF SAN JOSE
RINCON DE LOS ESTEROS REDEVELOPMENT PROJECT
1975 TAX ALLOCATION BONDS

NOTES TO FINANCIAL STATEMENTS

AS OF JUNE 30, 1977

ACCOUNTING METHOD

Generally, the books are kept on the cash basis of accounting, which recognizes income when received and expenses when paid. However, these financial statements have been adjusted to reflect accruals of income on investments.

Investments are carried at cost including premiums paid or discounts realized. The premiums paid and discounts realized are being amortized to the investment income account.

GENERAL INFORMATION

All transactions related to investments are handled by the Bank of America, the Fiscal Agent.

All expenditures for payment of bond interest are handled by the Fiscal Agent. The interest expense is treated as fully paid when funds are transferred to the interest paying account.

The interest paying account maintained by the Fiscal Agent currently has a balance of \$12,495.

All expenses for development costs and other appropriate costs are approved by the Board of the Redevelopment Agency of the City of San Jose.

REDEVELOPMENT AGENCY OF THE CITY OF SAN JOSE
RINCON DE LOS ESTEROS REDEVELOPMENT PROJECT
1975 TAX ALLOCATION BONDS
NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 1977

NOTE 1: REDEVELOPMENT FUND - REFINANCE OF BONDS

On or about September 20, 1977, the agency will be selling additional bonds totaling \$24,800,000. The net proceeds of the bonds available for improvements and administration will be \$18,970,000. Funds will be set aside to fully fund repayment of interest and principal on the original bond issue of 1975.

NOTE 2: SPECIAL FUND - TAX INCREMENT REVENUE

Tax increment revenues are paid into the Special Fund and are held by the Fiscal Agent in trust for the benefit of the bondholders. All Tax Revenues in the Special Fund shall be set aside by the Fiscal Agent in the following special accounts as specified in Resolution No. 1735:

- (1) Interest Account
- (2) Principal Account
- (3) Reserve Account
- (4) Sinking Account

NOTE 3: REDEVELOPMENT FUND - CAPITAL IMPROVEMENTS

The Agency entered into an agreement with the City of San Jose on January 15, 1976 (Amended July 8, 1976, March 17, 1977). Under the agreement, the City is constructing public improvements within the project area and is incurring administrative costs in connection with the redevelopment project. The total obligations of the Agency under the terms of the agreement shall not exceed \$4,838,806. A further amendment to the cooperative agreement is pending that would add an additional \$17,605,800 liability to the City for additional projects within the project area. The funds to satisfy this obligation will come from the new series of bonds to be issued on or about September 20, 1977.

REDEVELOPMENT AGENCY OF THE CITY OF SAN JOSE
RINCON DE LOS ESTEROS REDEVELOPMENT PROJECT
1975 TAX ALLOCATION BONDS

NOTES TO FINANCIAL STATEMENTS

AS OF JUNE 30, 1977

NOTE 4: FUND BALANCE AT BEGINNING OF YEAR - REDEVELOPMENT FUND

Fund balance as stated on
report for the year ended
June 30, 1976 \$ 3,647,626

Adjustments:

Prior period restatement	39,425 (A)
Bond discount	(253,749) (B)
Bond financing costs	(<u>237,846</u>) (B)
Fund balance after adjustments	\$ <u><u>3,195,456</u></u>

(A) The fund balance has been restated for the year ended June 30, 1976 to eliminate the liability shown at June 30, 1976 as a payable to the interest paying fund. The liability of the Redevelopment Fund to transfer interest collected from the bondholders to the Interest Fund was satisfied during the period ended June 30, 1976.

(B) The bond discount and bond financing costs were originally being amortized over the life of the bonds. The adjustment of these amounts now being made eliminates future amortization of these expenses. These adjustments treat the bond discount and bond financing costs as if they had been reported on the cash basis of accounting in the prior period. This is a change from the presentation on the June 30, 1976 statement.

OTHER AGENCY PROJECTS

Park Center Project

In March 1958, the City Council designated the first redevelopment project in the city. The redevelopment plan for the Park Center Project was adopted in July 1961. The plan has subsequently been amended five times. The project area originally comprised a 52-acre, 13-block area within the western portion of the central business district, and has since been expanded to 59 acres and includes the block in which the San Jose Civic Auditorium and Exhibit Hall are located.

Land uses within the project are primarily commercial with some public, institutional and park and open space uses. Development completed or under way to date include an office complex which includes eight bank buildings; a Holiday Inn; Pacific Gas and Electric Company regional headquarters; parking structures and various commercial developments. Development completed to date has an appraised value in excess of \$70 million. A 10-story office building to be built by Union Bank is expected to be under construction by early 1978. Ultimately, total development within the project area is estimated at \$80 million.

The Civic Auditorium and Exhibit Hall located in the Park Center Project area includes a main arena with seating for about 2,000 for major athletic events, stage and musical shows, conventions, arena type shows and displays. The Montgomery Theatre along the east wing is available for meetings, convention use and stage shows with seating capacity for 600.

The net estimated project cost is \$12.3 million, of which \$7.0 million will be funded by a Federal grant and \$5.3 million from local cash and non-cash grants.

At present, the Agency has outstanding \$9,650,000 1977 Park Center Project Tax Allocation Bonds. This issue was utilized to refund \$7,400,000 outstanding 1974 Park Center Tax Allocation Bonds

and to finance Project area improvements. Based on 1976/77 incremental assessed valuation within the Project area of \$7,545,326 and the 1976/77 tax rate of \$11.804 per \$100 assessed valuation, annual Tax Revenues were approximately \$896,808, or 1.20 times average annual debt service on the 1977 Bonds.

San Antonio Plaza Project

The San Antonio Plaza Project, which was initially conceived in 1964, is the Agency's second urban renewal project. The project area includes eight blocks with Market Street, adjacent to the eastern boundary of the Park Center Project, its western boundary. From here, the project area extends easterly four blocks to San Jose State University on Fourth Street, north to San Fernando Street and south to San Carlos Street. Whereas the Park Center Project essentially calls for construction of new buildings, the San Antonio Plaza Project differs in that it also stresses rehabilitation of structurally sound buildings. The primary objectives of this project are to stimulate increased business, commercial and financial activity and to establish a true metropolitan core for the City of San Jose, as well as to provide for integration of the San Jose State University campus into the core area.

A request for survey and planning funds was submitted in mid-1964 to the Department of Housing and Urban Development ("HUD"). Planning on this project started in 1966, and final approval of the loan and capital grant application from HUD was granted in the fall of 1968.

Projected development of the project area includes office towers and buildings, retail commercial and central open space areas, hotel, moderate-income housing units and restaurants. The Paseo de San Antonio is the public center of the project.

Parking garages are to be constructed which will provide some 4,500 spaces and each block is designed to house a separate service-way to provide for off-street loading facilities. Interspersed throughout will be pedestrian plazas and resting areas.

The estimated cost of the redevelopment project is \$17.2 million, of which two-thirds, or \$11.5 million, will be paid by the Federal Government with the remaining one-third provided by the city. The \$5.7 million local share is programmed to consist of \$1.4 million for project improvements, a \$4.0

million non-cash grant-in-aid credit for San Jose State University improvements and \$0.3 million in tax credits.

Mayfair One Project

The Mayfair One Project is located in the San Jose Model Neighborhood area approximately four miles southeasterly of the Park Center Project. Mayfair One differs fundamentally from previous projects in that existing development, in and around the project, is suburban in character, with the project area itself presently consisting predominantly of open land. The primary objective in the Mayfair One Program is to promote the development of dwelling units for low and moderate-income families, thereby alleviating over-crowding in the surrounding area. Construction of proposed residences will commence upon disposition of land to a qualified developer.

The project was financially settled with HUD in December 1976, to be developed at a future date.

Neighborhood Development Program Project

The NDP (Neighborhood Development Program) Project area is located adjacent to the Mayfair One Project Area. The NDP Project was successfully completed in June 1976 and provided rehabilitated housing and street reconstruction over an approximate 50-acre area.

Pueblo Uno Project

The Pueblo Uno Project is a four-block central business district redevelopment area, for which the redevelopment plan was adopted in July 1975. The principal objective of the project is to encourage private development and rehabilitation or clearance of substandard commercial property. The Agency will finance needed public improvements by means of tax increment revenues. Crocker Bank completed a high-rise office building in the project area in 1975 and the high-rise First National Bank Plaza was recently completed. Total development cost of these two buildings is in excess of \$7 million.

Olinder Project

This project, adopted in July 1976, is an industrial area of approximately 158 acres in the vicinity of the Interstate 280/U.S. 101 interchange. A num-

ber of new developments are being constructed in this established industrial area. Public improvements needed for continued development within the project area will be financed by means of tax increments.

Julian-Stockton Project

This project, for which the redevelopment plan was adopted in July 1976, covers approximately 357 acres in the older portion of the central business district. The principal objective of the project is to

encourage private development and rehabilitation and for the Agency to provide needed public improvements.

Edenvale Project

This project, also adopted in July 1976, is located west of U.S. 101 in the southern part of the city. An industrial area, of about 1,147 acres, tax increment financing will be used to finance needed public improvements.

Park Center Plaza, a complex of banking and office buildings. This development is located within the Park Center Redevelopment Project, the Agency's first redevelopment project.



THE RINCON de los ESTEROS REDEVELOPMENT PROJECT

Background

The Redevelopment Plan (the "Plan") for the Rincon de los Esteros Redevelopment Project was adopted by the San Jose Redevelopment Agency by its resolution No. 1514 dated July 9, 1974 and by the City Council pursuant to its Ordinance No. 17306, on July 15, 1974.

Conditions in the Project area prior to adoption of the Redevelopment Plan met the statutory tests for blight, which must be found to exist as a condition precedent to initiation of redevelopment activities under the Law. Such findings included the existence of substandard public facilities, industrial and commercial structures, improper land use, economic deterioration, poor drainage, access and traffic circulation, and other conditions detrimental to the public safety and welfare. However, the area is bounded by two of the city's major traffic thoroughfares (U.S. Route 101 and State Route 17), and was found to have potential value for industrial and commercial uses. No residential uses are permitted in the Project area.

Project Description

The Project consists of approximately 1,400 acres in the northwest corner of the city. The Project area is roughly triangular, bounded by Montague Expressway-Trimble Road, State Route 17, and U.S. Route 101. U.S. Route 101 serves as a major connection between Southern California and Northern California, as well as the Pacific Northwest, while State Route 17 connects San Jose with communities in the eastern San Francisco Bay region and with major routes to the east. The San Jose Municipal Airport is adjacent to the Project area's southwest boundary.

The Project area consists of a mixture of older industrial buildings, standard and substandard public facilities, newer industrial development and under-utilized agricultural land. The area also suffers

from inadequate access and periodic flooding. All these factors have combined to prevent proper utilization and development of an area potentially useful and valuable to the community.

Redevelopment of the Project will remove blight and broaden the city's tax base through industrial and commercial development.

The Redevelopment Plan does not specifically call for any extensive acquisition and resale of land by the Agency. However, the Agency will acquire and clear land where necessary to provide sites for redevelopment by private developers in instances where property acquisition cannot be readily accomplished by private developers under reasonable terms and conditions, and for the installation and construction of public improvements. Tax allocation bond proceeds have been and will be used to finance public improvements of benefit to the Project, and to pay related expenses.

The costs of local (off-site) public improvements necessary for industrial development will be financed by the developers either on a cash basis or by means of assessment proceedings. All industrial development will be privately financed by the developers. The nature and extent of private development completed and in progress at this time is discussed in the following subsection.

As of September 1, 1975, the Agency issued \$5,580,000 principal amount of 1975 Tax Allocation Bonds on behalf of the Project to assist in the financing of various public improvements within the Project area which would facilitate subsequent private development. Proceeds of the 1975 Bonds and other available funds were applied to the following uses:

Previous Project Expenditures

(1975 Bond Proceeds and Other Funds)

Street Improvements	\$3,206,800
Water Mains	260,000
Landscaping	50,000
Assessment Contributions	550,000
Administration	150,000
Total	\$4,216,800

Project Status

Since adoption of the Plan, the assessed valuation of the Rincon de los Esteros Redevelopment Project has increased by \$26,132,621 over the frozen base



Aerial view looking northeast to the Rincon de los Esteros Redevelopment Project outlined in white. At the lower left is the San Jose Municipal Airport. The southern boundary of the Project is the Bayshore Freeway (U.S. 101); the eastern boundary is State Route 17. Since this photograph was taken, additional development has progressed towards the center of the Project area. As the public improvements to be financed with the 1977 Bond proceeds are completed, the remainder of the Project will be opened for development.

valuation of \$27,280,557. A major impetus to the completed development, as well as that now in progress, has been the installation or improvement of public facilities which were funded with proceeds received from sale of the 1975 Bonds. Expenditure of the portion of 1977 Bond proceeds allocated for public improvements is expected to assist in maintaining the high level of development within the Project.

Major developments already completed within the Project area include a large warehouse complex built by Sequoia Pacific, a division of the Southern Pacific Company. Tenants in these warehouses include Ralph's Grocery, Nabisco, R. M. Hollinghead Corporation, and various trucking concerns.

Other warehouse and distribution facilities completed since the adoption of the Plan include those occupied by Ward's, J. C. Paper Company and Western Electric, Fibreboard, Levi Strauss, I.B.M., and Krager Auto Supply. Pacific Gas and Electric Company's material and distribution center is also located within the Project area.

There are several other major industrial developments that have been completed within the Project area. One of these is San Jose Orchard Business Plaza developed by Orchard Properties. The Plaza consists of ten buildings totaling approximately 210,000 square feet of office space in a fully landscaped functional working environment.

Trammell Crow Company has completed five major warehouse structures that comprise the San Jose Industry Center, and also constructed a \$2.5 million industrial plant occupied by Van Waters and Rogers, a division of Univar, Inc.

Another development is Lincoln Industrial Center, a three-building complex recently completed by Lincoln Properties. Additional construction by Lincoln Properties is presently underway.

Additional development includes several warehouses and industrial buildings, two interstate truck terminals (System 99 Trucking and Intermountain Express), and a variety of miscellaneous structures. The attractiveness of the Project area for office, industrial and warehouse uses is evident from the overall vacancy factor which is estimated at less than 2 percent, and by the volume of construction currently in progress (see Table 6 on page 35).

To date, development has occurred and is continuing in portions of the Project having adequate street access, utility service, and rail spur line service. These facilities have been installed by the City

of San Jose and from proceeds of the 1975 Bonds (except rail lines which are provided by the Southern Pacific Company). Remaining portions of the Project area will be opened for development as the Agency initiates the improvements to be financed with proceeds of the 1977 Bonds.

A history of Project assessed valuations since adoption of the Plan in July of 1974 is presented in Table 4 on page 34. Also shown is a breakdown of valuations by roll (local secured, unsecured and public utility), and by class of property (land, improvements and personal property). All data presented in Table 4 has been obtained from official records of the Santa Clara County Auditor-Controller.

In addition to the actual increases in Project assessed valuations recorded by the County, a significant amount of new construction is currently under development which will be reflected on the assessment rolls in the 1978/79 and 1979/80 fiscal years. Table 6 presents data pertaining to construction in progress and the assessed valuation of the improvements that will be entered on the tax rolls in such years. It should be noted that these are building permit values for improvements only, and do not account for increased land valuations resulting from upgraded uses, nor any valuations for furnishings, fixtures and business inventories which will be assignable upon completion of the respective private developments. Incremental assessed valuations for 1977/78 are actual increases reported by the County of Santa Clara, while those for the 1978/79 and 1979/80 fiscal years are based on the anticipated percentage of completion as of the March 1 lien date for assessment of property in each of the two fiscal years. As indicated in Table 6, completion of the improvements now under construction is expected to increase the Project assessed valuation by a minimum of \$8,332,270 to a total of \$34,464,891 in the 1979/80 fiscal year. Estimates of Tax Revenues expected to be generated by the Project during the current (1977/78) and next two (1978/79 and 1979/80) fiscal years are discussed in the following section of this official statement. All such valuations are based upon construction completed or under way, and do not include any construction that will commence at some future date. In three instances, however, the initial construction represents the first phase of a multi-building development (see footnotes 7, 8 and 9 to Table 6). All development listed in Table 6 is for office, industrial or warehouse/distribution buildings and related facilities.

Table 4**RINCON de los ESTEROS
REDEVELOPMENT PROJECT****History of Project Assessed Valuations—
1973/74 to 1977/78**

Fiscal Year	Assessed Valuation ^①	Increase
1973/74 (Base Year) .	\$27,280,557	\$ —
1974/75	②	—
1975/76	38,085,453	10,804,896
1976/77	43,478,486	16,197,929
1977/78	53,413,178	26,132,621

**1977/78 Assessed Valuation
by Roll and Class of Property**

	Local Secured	Unsecured	Public Utility
Land	\$12,135,192	\$ 355	\$ 171,550
Improvements	13,701,315	1,919,982	1,496,780
Personal Property ^③ .	6,015,424	17,458,980	513,600
Totals ..	\$31,851,931	\$19,379,317	\$2,181,930
Grand Total— All Rolls ...		\$53,413,178	

① All rolls.

② Valuation not reported in second year, pursuant to state statute.

③ Primarily furnishings, fixtures and business inventories.

The 1977 Bond Projects

The estimated portion of 1977 Bond proceeds to be used for the installation or construction of public facilities (\$16,500,000) together with balances held by the fiscal agent in the 1975 Bonds Reserve Fund and the 1975 Bonds Sinking Account (approximately \$3,261,000), are expected to be allocated to the costs of improvements presented in Table 5, opposite. It is anticipated that these facilities will, when

completed, promote the full development of the Project area. The schedule for construction of the listed public improvements calls for completion by September of 1981, and total Project completion is anticipated by 1985.

Table 5**RINCON de los ESTEROS
REDEVELOPMENT PROJECT****Uses of 1977 Bond Proceeds (Net)
and other Available Funds**

Brokaw Road—Route 17 to Old Oakland Road	\$ 6,180,000
Guadalupe Parkway—Route 101 to First Street	5,240,000
Charcot Avenue—First Street to Zanker Road	485,000
First Street—Brokaw Road to 101 Ramps	540,000
First Street and Montague Expressway	220,000
Trimble Road—First Street to Montague Expressway	711,000
Sanitary Facilities—South of Montague	325,000
Sanitary Facilities—Right of Way Contingencies	20,000
Upgrade Water Facilities	380,000
Water Facilities—Reservoir and Booster Station	780,000
Brokaw Road—101 Interchange	4,480,000
Administration	400,000
Net Proceeds—1977 Bonds ..	\$19,761,000

Environmental Impact

The Rincon de los Esteros Redevelopment Project is believed to be subject to the provisions of the California Environmental Quality Act (Public Resources Code, Section 21000 et seq.), and as such an Environmental Impact Report on the Redevelopment Project was prepared, a hearing was held in the City of San Jose, and the final report was adopted pursuant to Agency Resolution No. 1474 on June 10, 1974.

Table 6**RINCON de los ESTEROS REDEVELOPMENT PROJECT****Project Development Schedule and Estimated Assessed Valuations^①**

Developer	Estimated Completion Date ^②	Building Permit Value ^②	Actual or Estimated Incremental Assessed Valuation ^③
On 1978/79 Tax Rolls:			
Anderson, Jacobs	6/77	\$ 1,574,000	\$ 276,750 ^④
Orchard Investment	7/77	1,700,000	342,500 ^④
Crow, Spieker, French	10/77	710,000	177,500
Dev-Con Associates	10/77	440,000	110,000
March Associates	11/77	480,000	120,000
Trammell Crow Co.	2/78	1,137,000	284,250
Watkins-Johnson Co. ^⑦	1/78	5,882,000	1,470,500
Cascade Paint Co.	10/77	280,000	70,000
Orchard Properties	3/78	500,000	125,000
Sutter Hill Ltd.	11/77	1,092,000	273,000
Wilkinson, Inc.	2/78	435,000	108,750
Woodmark Products	2/78	328,000	82,000
Ferrari Bros.	3/78	483,000	120,750
Dev-Con Associates XIV	4/78	647,000	145,575 ^⑤
Orchard Investment Co.	3/78	523,000	130,750
Dunn Properties	3/78	805,000	201,250
Hewlett-Packard Corp. ^⑧	4/78	5,605,800	1,261,125 ^⑤
W. Curtis	5/78	350,000	70,000 ^⑤
Hussman Refrigeration Co.	5/78	500,000	100,000 ^⑤
Orchard Properties	6/78	3,900,000	731,250 ^⑤
Cushman Electronics ^⑨	3/78	1,300,000	325,000
Edwards Devel.	6/78	814,000	152,625 ^⑤
RSE III	3/78	257,000	64,250
West Bay Industries	6/78	400,000	75,000 ^⑤
McLaughlin interests	7/78	564,000	98,700 ^⑤
Lincoln Properties	3/78	3,420,000	855,000
1978/79 Subtotal		\$34,126,800	\$ 7,771,525
On 1979/80 Tax Rolls:			
Dev-Con Associates XIV	4/78	—	\$ 16,175
Hewlett-Packard Corp.	4/78	—	140,145
W. Curtis	5/78	—	17,500
Hussman Refrigeration Co.	5/78	—	25,000
Orchard Properties	6/78	—	243,750
Edwards Devel.	6/78	—	50,875
West Bay Industries	6/78	—	25,000
McLaughlin interests	7/78	—	42,300
1979/80 Subtotal			\$ 560,745
Total Construction in Progress			8,332,270
Recorded Increases in Assessed Valuation (1973/74-1977/78)			26,132,621 ^⑥
Estimated Aggregate Incremental Assessed Valuation			<u>\$34,464,891</u>

① Local secured roll only for new construction—does not include utility or unsecured rolls, nor land and personal property valuations.

② As reported by the City of San Jose.

③ At assessment ratio of 25% of full value.

④ Partially assessed in 1977/78.

⑤ Partially assessed in 1978/79 and in 1979/80.

⑥ As reported by the Santa Clara County Auditor-Controller (see Table 4, above).

⑦ The first of three buildings.

⑧ The first of six buildings.

⑨ The first of four buildings.



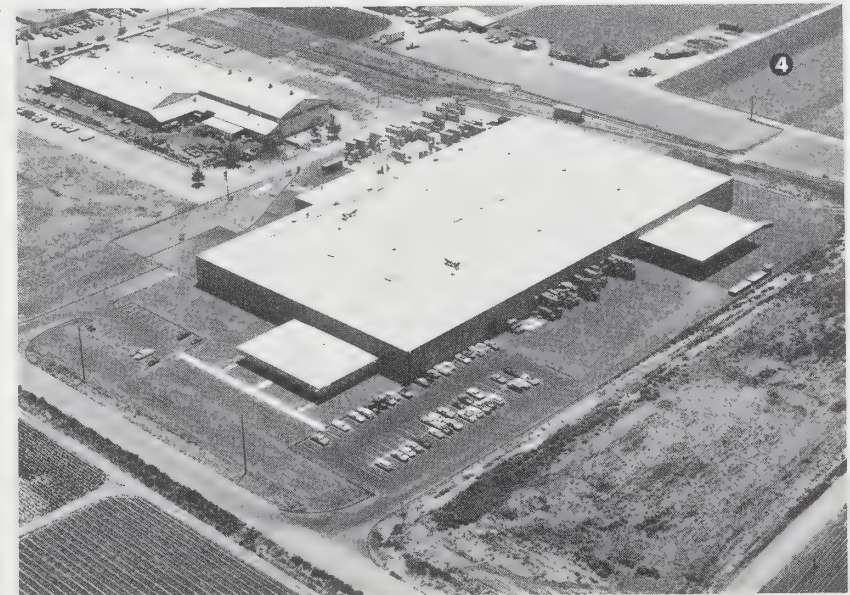
①



②



③



④

Examples of development in the Rincon de los Esteros Redevelopment Project area include ① Lincoln Industry Center; ② Levi Strauss Co. plant; ③ San Jose Orchard Business Park; and ④ Fibreboard Corporation's paper container manufacturing plant.

ESTIMATED TAX REVENUE AND BOND RETIREMENT SCHEDULE

Estimated Tax Revenues

All Tax Revenues (as previously defined) derived from the levy and collection of taxes on any increase in the assessed valuation of land, improvements, public utility and all other taxable property in the Project over and above the 1973/74 frozen base roll established by the county for such property are to be deposited in the Rincon de los Esteros Redevelopment Project Special Fund on and after September 1, 1977, and applied by the Fiscal Agent to the payment of interest and principal on the 1977 Bonds (and replenishment of the Reserve Account, if necessary).

If on each December 31 the balance on deposit in the Special Fund exceeds 125 percent of Bond interest and principal payments coming due within the then current fiscal year, the Fiscal Agent may transfer such excess to the Agency under the conditions specified in the Resolution and set forth in "The Bonds" section of this official statement.

Each annual levy of property taxes is made at the then applicable rate, but for the purpose of estimating future tax receipts and calculating an estimated Bond retirement schedule, the projection of Tax Revenues available for payment of Bond interest and principal is based on the 1976/77 tax rates applicable to a majority of the Project (by assessed valuation). The rates used herein are \$10.161 per \$100 assessed valuation levied against all taxable property (land, improvements and personal property), and \$0.088 per \$100/A.V. against land and improvements only. Approximately 83 percent of taxable property within the Project is subject to these or higher tax rates.

On the basis of the tax rates discussed above and the incremental Project assessed valuations presented in Table 6 on page 35, it is estimated that the Project will generate annual Tax Revenues as indicated in Table 7, opposite. Such Tax Revenues are irrevocably pledged in their entirety to payment of the 1977 Bonds and the interest thereon subject to withdrawal

of "Surplus" from the Special Fund by the Agency, under the conditions discussed elsewhere in this official statement. Estimated incremental assessed valuations are based on construction completed and on the tax rolls (1977/78), and the building permit values (adjusted to an assessment ratio of 25% of full value) of construction currently in progress (1978/79 and 1979/80). Upon completion of current development, no further increases in assessed valuations have been projected. In practice, however, it may be expected that additional development will occur as undeveloped portions of the Project are served by the public facilities to be financed with proceeds received from the sale of the 1977 Bonds.

All valuations compensate for the required California practice of assessing the value of property against the owner of record as of each March 1. Thus, the assessed valuation of the Project for the respective years indicated in Table 7 actually reflects the valuations assigned to new construction and upgraded land uses, if any, during the 12-month period ending the preceding March 1.

Table 7

RINCON de los ESTEROS REDEVELOPMENT PROJECT

Projected Assessed Valuations and Tax Revenues (Current Development)

Fiscal Year	Estimated Assessed Valuation	Excess Over Frozen Base of \$27,280,557 ^①	Projected Tax Revenues ^②
1977/78 ..	\$53,413,178 ^③	\$26,132,621 ^③	\$2,667,000
1978/79 ..	61,184,703	33,904,146	3,463,000
1979/80 ..	61,745,448	34,464,891	3,520,000
Thereafter .	61,745,448	34,464,891	3,520,000

^① All rolls.

^② Tax Revenues based on continuation of selected 1976/77 tax rates of \$10.161 per \$100/A.V. against all property and \$0.088 per \$100/A.V. against land and improvements only; revenue estimates rounded to next lowest \$1,000.

^③ Actual, as reported by the Santa Clara County Auditor-Controller.

Santa Clara County currently assesses taxable property within the Project at an average ratio of 21.6 percent of full value (except public utility property which is assessed by the State Board of Equalization at 25 percent of full value). In accordance with state statutory provisions any new con-

struction (including utility property) must be assessed at 25 percent of full value. Property carried on the local secured, unsecured and utility rolls is assessed to the owner of record as of each March 1 preceding the fiscal year commencing the next following July 1. Unsecured property taxes are due on the lien date and are payable by the next following August 31, while local secured and utility property taxes are due, one-half on November 1 and February 1 of each fiscal year and become delinquent on December 10 and April 10, respectively. Tax Revenues are currently allocated to redevelopment agencies in the county in the amount of one-half of the annual increment by the last day of December and April in each fiscal year. The estimated Bond retirement schedule presented in the following section is based upon the foregoing schedule of tax allocations to the Agency.

Estimated Bond Retirement

Under the provisions of the Resolution, the Bonds will mature serially each September 1 in the years 1979 through and including 1998 in the amounts specified in "The Bonds" section of this official statement. As stated above and elsewhere herein, the Resolution permits withdrawal by the Agency of certain excess Tax Revenues from the Special Fund, subject to specified conditions precedent. The provisions of the Resolution require that the Fiscal Agent shall retain each year in the Special Fund an amount equal to 125 percent of Bond interest and principal coming due within the then current fiscal year before any disbursements may be made to the Agency. No disbursements of surplus funds may be made to the Agency unless the required deposits have been made to the Interest and Principal Accounts and Reserve Fund.

The Resolution also provides that the annual amounts retained in the Special Fund after payment of Bond interest and principal (25 percent of annual debt service payments) shall be accumulated by the Fiscal Agent and applied to the purchase of outstanding 1977 Bonds at any time, and must be applied to the redemption of such Bonds on any principal payment date commencing September 1, 1989.

Based on the development program for, and tax rates applicable to, the Project indicated in Tables 6 and 7, it is estimated that the entire issue of 1977 Bonds may be retired by 1992, under the Estimated Debt Retirement Schedule presented in Table 8 on page 39, or six years prior to their final maturity date of 1998.

Tax Revenues to be received in 1977/78 from completed construction (\$2,667,000) will cover estimated maximum annual debt service (\$2,211,875, computed on the basis of relatively equal annual bond service payments to maturity) by approximately 1.20 times. Upon completion of private development now in progress (1979/80), the coverage ratio will improve to about 1.59 times estimated maximum annual debt service. Interest only to be paid in the first year is expected to be covered 1.72 times by 1977/78 Tax Revenues. It appears that the 1977 Bonds are fully self-supporting from Tax Revenues that will be derived from construction already completed, and the security will be enhanced by completion of developments now under construction.

Should the Agency issue any additional series of authorized Bonds, there is no assurance that the 1977 Bonds will, in fact, be retired by 1992. However, the conditions under which such Additional Bonds may be issued are designed and intended to prevent the dilution of the security afforded the holder of any of the then outstanding Bonds, and to assure payment by the established maturity date.

Table 8 does not reflect the initial deposit into the Reserve Fund of the Minimum Reserve (the maximum annual debt service on the Bonds), since this amount is to be retained therein and, unless needed to cover any unanticipated deficiency in the Tax Revenues, will not be used until applied to the last payment of interest and principal on the 1977 Bonds (or Additional Bonds).

The estimates presented in Table 8 do not take into account interest earnings on the Special Fund which in practice will be invested in accordance with the provisions of the Resolution. To the extent that such investment income is available, the retirement of principal through purchase or call may be accelerated over the retirement schedule presented in Table 8.

Table 8

REDEVELOPMENT AGENCY OF THE CITY OF SAN JOSE

\$24,800,000 Rincon de los Esteros Redevelopment Project, 1977 Tax Allocation Bonds

Estimated Debt Retirement and Cash Flow Schedule

Year Ending Sept. 1	Estimated Tax Revenues ^①	Bonds Outstanding ^②	Interest Estimated @ 6¼ %	Principal Retired ^③	Redemption Premium		Total Bond Service	Cumulative Balance in Special Fund ^④
					Percent	Amount		
1978	\$2,667,000	\$24,800,000	\$ 1,550,000	\$ —			\$ 1,550,000	\$ 387,500
1979	3,463,000	24,800,000	1,550,000	650,000			2,200,000	937,500
1980	3,520,000	24,150,000	1,509,375	700,000			2,209,375	1,489,843
1981	3,520,000	23,450,000	1,465,625	740,000			2,205,625	2,041,249
1982	3,520,000	22,710,000	1,419,375	790,000			2,209,375	2,593,592
1983	3,520,000	21,920,000	1,370,000	840,000			2,210,000	3,146,092
1984	3,520,000	21,080,000	1,317,500	890,000			2,207,500	3,697,967
1985	3,520,000	20,190,000	1,261,875	950,000			2,211,875	4,250,936
1986	3,520,000	19,240,000	1,202,500	1,000,000			2,202,500	4,801,561
1987	3,520,000	18,240,000	1,140,000	1,070,000			2,210,000	5,354,061
1988	3,520,000	17,170,000	1,073,125	1,130,000			2,203,125	5,904,842
1989	3,520,000	16,040,000	1,002,500	8,260,000	2¼ %	\$158,850	9,421,350	3,492
1990	3,520,000	7,780,000	486,250	2,970,000	2	59,400	3,515,650	7,842
1991	3,520,000	4,810,000	300,625	3,170,000	1¾	55,475	3,526,100	1,742
1992	3,520,000	1,640,000	102,500	1,640,000	1½	24,600	1,767,100	1,754,642 ^⑤
			\$16,751,250	\$24,800,000		\$298,325	\$41,849,575	

① From Table 7.

② Prior to retirement of principal in each year.

③ Provides for redemption of callable Bonds on earliest call date (September 1, 1989) and each principal payment date thereafter, to the extent Tax Revenues and retained funds are available.

④ Represents annual retention and accumulation from Tax Revenues in yearly amounts equal to 25 percent of annual debt service. Assumes application of total Tax Revenues to Bond redemption on and after September 1, 1989.

⑤ Available for distribution to other taxing agencies or for payment of Additional Bonds, if any.

CITY FINANCIAL DATA

The Bonds are not a debt of the City of San Jose and the following city financial data are included only for the purposes of providing general information.

Assessed Valuations

The City of San Jose uses the facilities of Santa Clara County for the assessment and collection of taxes for city purposes. City taxes are collected at the same time and on the same tax rolls as are county, school district, and special district taxes. Assessed valuations of properties are the same for both city and county taxing purposes. The California State Board of Equalization reports the 1977/78 Santa Clara County valuations average 21.6 percent of full value (as compared to 26.5 in 1976/77) except for public utility property, which is assessed at 25 percent of full cash value by the state.

The California State Legislature adopted two types of state-reimbursed exemptions beginning in the tax year 1969/70. The first currently exempts 50 percent of the assessed valuation of business inventories from taxation. The second exemption currently provides a credit of \$1,750 of the assessed valuation of an owner-occupied dwelling for which application has been made to the county assessor.

Revenue estimated to be lost to local taxing agencies due to the above exemptions is reimbursed from state sources. Reimbursement is based upon total taxes due upon such exempt values and therefore is not reduced by any amount for estimated delinquencies. The tabulations below and on the next page present the city's preliminary 1977/78 assessed valuation before and after provision for state-reimbursed exemptions, and a summary of assessed valuation growth since 1967/68.

CITY OF SAN JOSE

Preliminary 1977/78 Assessed Valuation

Roll	Net Assessed Valuation	State- reimbursed Exemptions	Assessed Valuation for Revenue Purposes
Secured ..	\$1,952,400,819	\$237,116,810	\$2,189,517,629
Unsecured	160,904,328	51,041,820	211,946,148
Utility ...	99,337,400	—	99,337,400
Total	\$2,212,642,547	\$288,158,630	\$2,500,801,177 ^①

① Includes \$88,755,221 of incremental assessed valuations within the Agency's redevelopment projects. Property taxes levied against such valuations may be paid to the Agency and in such case would not be available to overlapping taxing entities.

Source: Santa Clara County Auditor-Controller.

CITY OF SAN JOSE

Assessed Valuations

Fiscal Year	Assessed Valuation
1967/68	\$ 782,547,270
1968/69	872,303,840
1969/70	989,582,880*
1970/71	1,120,602,440*
1971/72	1,221,681,210*
1972/73	1,336,131,390*
1973/74	1,445,126,457*
1974/75	1,610,496,253*
1975/76	1,889,768,313*
1976/77	2,188,168,242*
1977/78 (preliminary)	2,500,801,177*

*Before deduction of State-reimbursed exemptions (first in effect in 1969/70).

Source: County Auditor-Controller.

Tax Rates, Secured Tax Levies, and Delinquencies

The 1976/77 City tax rate of \$1.628 per \$100 assessed valuation was comprised of \$1.350 for general City purposes and \$0.278 for general obligation bond purposes. The 1977/78 rate has not yet been established. Under the present City Charter and state legislation, the maximum tax rate for general City purposes is \$1.35 per \$100 assessed valuation.

Tax Code Area 40-001 (1976/77 assessed valuation \$296,565,579) is the largest in terms of assessed valuation in the city. Total tax rates per \$100

assessed valuation in Code Area 40-001 for all purposes for the past five years are presented at the bottom of the page.

The following tabulation presents a ten-year summary of the city's secured tax levies, and current secured tax delinquencies. During the period, the current rate of secured tax delinquency averaged a very favorable 1.73 percent per annum.

CITY OF SAN JOSE

Secured Tax Levies and Delinquencies

Fiscal Year	City Secured Levy	Amount Delinquent June 30	Percent Delinquent June 30
1967/68 ..	\$14,799,690	\$236,899	1.60%
1968/69 ..	15,532,567	379,365	2.44
1969/70 ..	16,631,609	452,986	2.72
1970/71 ..	18,575,068	300,032	1.62
1971/72 ..	19,716,701	330,571	1.68
1972/73 ..	21,120,517	311,354	1.47
1973/74 ..	20,827,718	372,129	1.79
1974/75 ..	22,581,359	362,386	1.60
1975/76 ..	25,037,539	345,575	1.38
1976/77 ..	28,138,315	281,590	1.00

Source: Santa Clara County Auditor-Controller.

Principal Taxpayers

The tabulation on the next page presents the ten principal property taxpayers in the City of San Jose and the 1977/78 secured roll assessed valuation of each.

TAX CODE AREA 40-001

Total Tax Rates

	1972/73	1973/74	1974/75	1975/76	1976/77
City of San Jose	\$ 1.847	\$ 1.824	\$ 1.785	\$ 1.705	\$ 1.628
Santa Clara County	2.626	2.626	2.626	2.596	2.471
Schools	7.326	7.963	8.266	8.036	7.527
Flood Control .....	.190	.190	.191	.161	.161
Bay Area Air Pollution .....	.018	.017	.016	.016	.017
Total, All Property ..	\$12.007	\$12.620	\$12.884	\$12.514	\$11.804
Land and Improvements only:					
Water Importation and Flood Control .....	.086	.086	.088	.088	.088
Total, All Rates	\$12.093	\$12.706	\$12.972	\$12.602	\$11.892

Source: Santa Clara County Auditor-Controller.

CITY OF SAN JOSE

Principal Taxpayers*

Firm	1977/78 Secured Assessed Valuation
IBM	\$112,055,591
Pacific Telephone Company	57,832,480
Pacific Gas and Electric Company ..	23,844,850
General Electric Company	15,742,952
Eastridge Shopping Center	13,305,407
FMC Corporation	9,578,729
Stauffer Chemical Company	3,489,608
Valley Fair Shopping Center	3,428,595
Southern Pacific Company	2,748,050
Town and Country Shopping Center .	1,996,275

*Derived from a visual inspection of the Santa Clara County Secured Tax Roll. The above are minimum values.

Sources: State Board of Equalization (utility values) and Santa Clara County Assessor (other values).

Revenues and Expenditures and Fund Balance

Table 9 below presents a summary of general revenues and expenditures for the City of San Jose over the past five years, as reported by the city's Finance Department to the State Controller in accordance with State law. The following "enterprise funds" are excluded from the tabulation: Municipal Water System, Sewer System, Off-Street Parking, Airport, Convention & Cultural Center, and Municipal Golf Course.

The audited General Fund balance as of June 30, 1976 was \$3,560,108, as compared to \$3,466,510 as of June 30, 1975. The estimated balance as of June 30, 1977 was \$5,278,500.

Retirement System

There are two principal retirement systems covering San Jose city employees. These are the Federated City Employees' Retirement System and the Police

Table 9

CITY OF SAN JOSE

Summary of Revenues and Expenditures

	1971/72	1972/73	1973/74	1974/75	1975/76
REVENUES:					
Property Taxes	\$21,886,860	\$23,298,069	\$ 22,474,610	\$ 24,517,121	\$ 27,327,995
Other Taxes	16,963,093	21,007,439	25,525,789	28,475,404	33,203,827
Licenses and Permits	1,274,926	1,355,149	1,346,951	1,659,936	2,119,623
Fines and Penalties	1,395,640	1,385,052	1,386,507	1,742,540	1,883,942
Use of Money and Property .	2,518,857	2,703,543	4,528,844	6,753,688	5,478,216
From Other Agencies	19,598,575	31,347,761	26,398,656	26,201,234	34,660,968
Current Services	9,051,666	10,402,184	10,216,966	16,415,122	14,376,126
Other Revenue	4,354,103	4,515,208	8,162,490	5,029,097	4,709,557
Total	\$77,043,720	\$96,014,405	\$100,040,813	\$110,794,142	\$123,760,254
EXPENDITURES:					
General Government	\$25,764,475	\$28,555,545	\$ 31,904,008	\$ 35,151,209	\$ 40,804,935
Public Safety	19,615,654	22,867,311	25,715,637	29,060,950	33,076,216
Public Works	9,114,581	10,583,077	12,245,287	14,108,277	17,040,321
Health	308,986	378,818	417,519	453,148	715,541
Library	1,758,006	2,536,535	2,734,524	3,289,219	3,605,452
Parks and Recreation	4,106,376	4,707,398	5,210,674	6,408,171	7,692,595
Other	329,831	770,771	236,024	398,004	1,030,278 ^①
Capital Outlays	14,401,937	16,513,423	13,101,694	16,586,181	19,891,376
Total	\$75,399,846	\$86,912,878	\$ 91,565,367	\$105,455,159	\$123,856,714

Source: City Finance Department as reported to State Controller.

① Includes \$788,255 contribution to Redevelopment Agency for housing and rehabilitation activities.

& Fire City Employees' Retirement System. A third plan currently covers only three redevelopment agency employees. The discussion below will be limited to the two principal systems, covering virtually all city employees, including 4 assigned full-time to the redevelopment agency. Membership is mandatory for all full-time employees.

Both plans require the city to account for all retirement system transactions in both a Retirement Fund and a Cost of Living Fund. The plans are financed by employee payroll deductions and by city contributions. Current service costs are shared by city and member employees in the rate of \$8 from the city and \$3 from the employee. Employee contributions to the Federated and Police & Fire systems are currently 6.8% and 6.59% of base salary, respectively; City contributions are 17.71% and 23.38% of a member's base salary, respectively. Investments of both systems are held by Wells Fargo Bank, N.A.

The most recent actuarial study of the Federated system was as of June 30, 1975, at which time the excess of the present value of future benefits over system current assets was \$80,100,000. The most recent actuarial study for the Police & Fire system was as of June 30, 1974, and reported an excess of present value of future benefits over system current assets of \$115,800,000. The Board of Administration for the entire Retirement System has continually increased contribution rates of both the city and employees to provide sufficient funds to meet retirement system needs. The aforementioned actuarial studies are based on assumptions about the future but comparison of actual events with said assumptions have not been performed and changes in contribution rates have not been based solely on such studies.

The tabulation opposite summarizes for the past 2½ years the number of employees and annual city contributions to the two principal retirement systems, as well as the plan covering the four redevelopment agency employees.

Accrued vacation, compensated time off and sick time are not recorded as liabilities in the city financial records.

Deferred Compensation

In September 1975 a deferred compensation plan was implemented which permits employee members

to defer their income tax on earnings withheld until received at some later date. The plan is voluntary, self-supporting and completely funded by its members.

CITY OF SAN JOSE

Retirement Systems

System	Calendar 1975	Calendar 1976	Jan. 1977- June 1977
<i>Federated:</i>			
No. employees	2,511	2,753	2,814
City contribution . .	\$4,239,682	\$5,547,791	\$3,108,170
<i>Police & Fire:</i>			
No. employees	1,305	1,330	1,348
City contribution . .	\$4,033,275	\$5,571,825	\$3,055,898
<i>Redevelopment Agency:①</i>			
No. employees	29	17	4
City contribution . .	\$ 25,378	\$ 10,122	\$ 1,510

① Under contract with Southwestern Life Insurance Company.

Source: City Finance Department.

Bonded Debt

As of the sale date of the Bonds currently offered, the City of San Jose will have \$58,329,000 outstanding general obligation bonds, of which \$20,209,000 are self-supporting from sewer charges.

In addition, the city will have outstanding \$9,604,000 in revenue bonds issued to finance parking, water system improvements and airport improvements. These are supported entirely by revenues from the particular enterprise for which they were issued.

Table 10 on page 44 presents a statement of the city's direct and estimated overlapping bonded debt as of the sale date of the Bonds currently offered.

Also, the city is obligated for annual lease payments as follows: (1) \$161,000 per year through fiscal 1993/94 for rental of a municipal golf course; (2) \$700,000 per year through fiscal 1991/92 for rental of the San Jose Center for the Performing Arts. Upon payment and expiration of the respective leases, ownership of all leased facilities will revert to the city.

Table 10

CITY OF SAN JOSE

Direct and Estimated Overlapping Debt

Population (January 1977)	\$	575,100 ^①	
1976/77 Assessed Valuation	\$2,188,168,242		
Preliminary 1977/78 Assessed Valuation	\$2,500,801,177		
1976/77 Estimated Market Value	\$8,276,779,000 ^②		

Entity	Percent Applicable ^③	Debt Applicable September 20, 1977 ^④
Santa Clara County	38.392%	\$ 17,115,154
Santa Clara Flood Control and Water Conservation District, Zone No. W-1	41.598	16,298,096
Santa Clara Flood Control and Water Conservation District, Zones Nos. NC-1 and NW-1	31.253-100.	4,994,356
San Jose Unified School District (various issues)	96.741- 98.985	45,647,413
Campbell Union High School District (various issues)	54.132- 54.855	4,333,762
East Side Union High School District (various issues)	89.493- 87.842	40,804,616
Alum Rock Unified School District (various issues)	65.645- 65.724	4,782,018
Berryessa Unified School District	89.407	6,609,859
Evergreen School District (various issues)	92.723- 92.732	5,038,574
Oak Grove School District (various issues)	97.782- 97.813	8,133,672
Other School and High School Districts	Various	15,059,122
Other Special Districts	Various	942,791
City of San Jose	100.	58,329,000
TOTAL GROSS DIRECT AND OVERLAPPING BONDED DEBT		\$227,998,433
Less: San Jose sewer bonds (100% self-supporting)		20,209,000
Santa Clara County Flood Control and Water Conservation District, Zone No. W-1 (100% self-supporting)		16,298,096
Santa Clara County Water Conservation District (100% self-supporting)		363,505
TOTAL NET DIRECT AND OVERLAPPING BONDED DEBT ..		\$191,127,832

	Ratio to			
	1976/77 Assessed Valuation	Preliminary 1977/78 Assessed Valuation	1976/77 Market Value	Per Capita
1976/77 Assessed Valuation	100. %	—%	② %	\$3,805
Direct Debt	2.66	2.33	.70	101
Gross Total Debt	10.42	9.12	2.75	397
Net Total Debt	8.73	7.64	2.31	332

① Source: State Department of Finance.

② The State Board of Equalization reported 1976/77 Santa Clara County assessed valuations averaged 26.5 percent of full value except for public utility property which was reportedly assessed at 25 percent of full value.

③ Source: California Municipal Statistics, Inc., San Francisco, California. Based on 1976/77 assessed valuations.

④ Excludes city authority lease obligations (\$12,265,000); city share of county authority lease obligations (\$18,044,551); city parking district bonds (\$2,570,000); 1915 Act Bonds (\$22,933,987); revenue bonds and tax allocation bonds. Excludes sales and repayments, if any, between August 18 and September 20, 1977.

CITY SHARE OF AUTHORIZED AND UNSOLD BONDS:

City of San Jose	\$ 4,490,000
School Districts	\$15,488,999

THE CITY

The City of San Jose, fourth largest city in California and the county seat of Santa Clara County, is located at the southern extremity of San Francisco Bay, approximately 48 miles from San Francisco and 42 miles from Oakland. Population of the city exceeds 575,000, and is over two and one-half times the number of 1960 census residents. The city is the oldest in California, having developed from a Spanish pueblo established November 29, 1777. San Jose is now the center of a large and growing industrial and scientific complex.

The city encompasses 150 square miles, an increase of 14 square miles since 1970. The climate is mild because of protection afforded by the Diablo Range on the east and the Santa Cruz mountains to the west. Mean July temperature is 68.2 degrees and mean January temperature is 49.2 degrees. Precipitation averages 13.1 inches per year.

The San Jose Metropolitan Area includes all of Santa Clara County. The city and county rank

among the leading metropolitan areas throughout the nation in virtually all measurements of urban development. An important element in the growth of the area is the fact that over half of all households have net cash incomes of almost \$17,000, a reflection of the level of education and vocational skills.

Santa Clara County is one of nine counties bordering San Francisco Bay. Santa Clara leads all of them in population, manufacturing employment, total effective buying income, assessed value of taxable property, retail sales, number of telephones, residential construction, and public school enrollment. It ranks among the top Bay Area counties in virtually every other indicator of economic activity as well. In the essential economic determinants of population, employment, retail sales, and personal income, Santa Clara has been projected as the number one growth county through 1980 in Northern California by the Stanford Research Institute Center for the Continuing Study of the California Economy.

Metropolitan San Jose, although it has many ties to the San Francisco-Oakland urban complex, has established a separate identity as a center for research, commerce, and industry.

Municipal Government

The City of San Jose was incorporated March 27, 1850, and operates as a charter city, having had its first charter granted by the state in 1897. In 1916, another charter was adopted enabling the city to

San Jose City Hall.





Aerial photo of downtown San Jose looking north. The partially completed interchange of Interstate 280 and Interstate 680 Freeways which appears in the center of the photograph is now complete in an east-west direction. In the immediate background is the San Jose Municipal Airport and the southern portion of San Francisco Bay.

institute the council-manager form of government, making it one of the first cities in the nation to take this step. The present charter became effective May 4, 1965.

The City Council consists of a Mayor and six Council Members elected at large for four-year terms. The City Manager is responsible for the operation of all municipal functions except the offices of City Attorney, City Clerk, and City Auditor. These officials are appointed by and carry out the policies set forth by the City Council.

The City of San Jose preliminary 1977/78 annual budget, including all funds and enterprises (including a capital expenditure program of \$77,920,000), is \$303,986,500, providing for more than 3,600 full-time employees and a total work force exceeding 4,500. The police department employs 1,060 and sworn officers are required to have a minimum of two years of college education. The fire department employs 633, operates 25 stations, and utilizes modern fire fighting and support equipment. Communications for police, fire, public works, and civil defense are now handled through the County Communications System.

Commissions performing a vital function in an advisory capacity to the City Council include Planning, Airport, Parks and Recreation, Civil Service, Fine Arts, Suggestion Award, Sports, Historic Landmarks, Public Solicitation, Human Relations, Affirmative Action, Senior Citizens, Library, and Youth and Industrial Development.

Active in the development of San Jose are the Office of Economic Development and the Redevelopment Agency, both reporting to the City Manager.

Population

The city's population as of January 1977 was estimated at 575,100 by the State Department of Finance, an increase of approximately 115,000, or 25 percent, over the April 1970 U.S. Census.

For the same date, the county's population was estimated at 1,202,100, a gain of 13 percent over the 1970 census figure. In recent years, about two-thirds of the 20,000 annual gain is traced to net immigration. This population change is in sharp contrast to patterns in the late fifties and early sixties, when annual population gains over 50,000 were not uncommon and those migrating to the county usually numbered 40,000 or more. In reporting recent population changes, the County Planning Department points to a long-term decrease in the birthrate and

an apparent changing household composition of in-migrants.

The following tabulation summarizes population growth since 1940, based on reports of the U.S. Census Bureau. Annexation of substantially vacant land allowed for the building of homes which accounts for a substantial share of the city's population increases since 1950.

CITY OF SAN JOSE Population Statistics

Year	City of San Jose	San Jose Metropolitan Area ^①
1940 ^②	68,457	174,949
1950 ^②	95,280	290,547
1960 ^②	204,196	642,315
1970 ^②	459,913	1,065,313
1977 ^③	575,100	1,202,100

① Includes entire Santa Clara County.

② U.S. Census.

③ State Department of Finance.

Santa Clara is the most populous of the nine counties bordering on San Francisco Bay. The City of San Jose is the second largest city in the San Francisco Bay Area and 22nd in population nationwide.

The revised 1970 Census of Housing as shown in the following tabulation disclosed 139,759 housing units in the City of San Jose and 336,873 in Santa Clara County. In both the city and the county, 60 percent of all homes were owner-occupied.

1970 U.S. CENSUS OF HOUSING

	City of San Jose	Santa Clara County
All housing units	139,759	336,873
Owner-occupied units	82,868	199,360
Number specifying value	76,119	181,177
Median value	\$ 25,400	\$ 27,300
Renter-occupied units	47,739	123,500
Median contract rent ...	\$ 135	\$ 143

Median home value of \$27,300 and median rental of \$143 per month in Santa Clara County were the highest for any metropolitan area in California.

Income and Commercial Activity

Santa Clara County ranks fifth among California counties in total personal income. The 1976 Survey

of *Buying Power*, published by Sales & Marketing Management, reports Santa Clara County in first place among Bay Area counties in net effective buying income, estimating the figure at \$7.534 billion, for year-end 1975 (latest available data). This is \$6,396 per capita compared with a state-wide figure of \$5,538. Median household income of \$16,804 is seventh highest nationwide and 27 percent above the median household income for the state. An estimated 20 percent of all households have incomes exceeding \$25,000, according to the survey.

The San Jose Metropolitan Area ranks fifth among the seventeen metropolitan areas in the state in total effective buying income, following Los Angeles-Long Beach, San Francisco-Oakland, Anaheim-Santa Ana-Garden Grove, and San Diego.

Bank debits in the City of San Jose for calendar 1976 totaled more than \$32.7 billion. Debits for the first five months of 1977 totaled \$15.2 billion. Bank deposits in the city as of May 31, 1977 were reported to be \$640,134,000 by the Federal Reserve Bank of San Francisco, compared with \$536,282,000 as of December 31, 1976.

There are approximately 150 shopping centers in Metropolitan San Jose. Valley Fair, in the western part of the City, occupies 32.8 acres and has almost 600,000 square feet of store area. Among the tenants are such well-known retailers as Macy's, Joseph Magnin, Pay Less Drug Stores, F. W. Woolworth and others. Eastridge, a retail shopping complex which opened in 1971 in southeast San Jose, features Macy's, Sears, Liberty House and J. C. Penney Co. as principal tenants.

The City of San Jose generated taxable sales of over \$1.8 billion in 1976, reflecting the purchasing power of its residents. Taxable sales transactions in the city and in Metropolitan San Jose, including nonretail transactions, are reported by the State Board of Equalization. Taxable transactions in the city of 1976 increased more than 15 percent over the previous year, while the county-wide gain was approximately the same amount. The City of San Jose accounts for over 38 percent of total taxable transactions in Santa Clara County, as shown in the summary in the column to the right.

There are 90 banking offices in the city, of which 26 are operated by the Bank of America and 14 by the First National Bank of San Jose. The latter was established in 1874. Within the city limits are 32 savings and loan branch offices.

CITY OF SAN JOSE

METROPOLITAN SAN JOSE

Taxable Transactions Since 1971

Year	City of San Jose	Metropolitan San Jose
1971	\$ 917,485,000	\$2,423,458,000
1972 ^①	1,084,303,000	2,852,047,000
1973	1,312,823,000	3,378,642,000
1974	1,467,337,000	3,781,550,000
1975	1,572,443,000	4,061,592,000
1976	1,813,209,000	4,716,474,000
1977 (3 mos.)	474,521,000	1,287,220,000

① Sales of gasoline for highway use became taxable July 1, 1972.

Source: State Board of Equalization.

A breakdown of 1976 taxable sales in the City of San Jose by type of outlet is presented in the following tabulation.

CITY OF SAN JOSE

Taxable Transactions 1976

(\$000 omitted)

Type of Outlet	No. of Permits	Taxable Transactions ^①
Apparel stores	313	\$ 80,521
General merchandise	98	271,520
Drug stores	96	33,013
Food stores	346	135,134
Packaged liquor stores	126	35,106
Eating and drinking places ..	831	142,246
Home furnishings, appliances	236	64,558
Building materials, implements	149	101,799
Auto dealers, auto supplies ..	231	245,616
Service stations	369	149,960
Other retail stores	910	166,913
Total retail	3,705	\$1,426,386
All other outlets	6,875	386,823
Total, all outlets	10,580	\$1,813,209

① Excludes food for home consumption, prescription drugs, and other items. Gasoline for highway use became taxable July 1, 1972.

Source: State Board of Equalization.

Employment

The San Jose Labor Market includes all of Santa Clara County. This area is a highly developed industrial, research, and educational center of employment for a labor force that ranks well above the average in educational attainment and income. According to 1970 Census data, more than 19.5 percent of the adult population in the county hold college degrees, and over 59 percent of the work force are classified as white collar workers.

Among the nine Bay Area counties, Santa Clara ranks first in manufacturing employment, second in construction and services jobs, and third in trade and government workers. The average annual income of industrial employees is the highest in Northern California and stems primarily from the educational level and degree of skills in the sophisticated electronics and computer industries.

The tabulation opposite sets forth the San Jose Labor Market growth in employment opportunities between 1970 and April 1977. During this period the number of nonagricultural wage and salary workers grew 33 percent. Above average rates of job growth were experienced in durable goods manufacturing, wholesale trade, financial services, and personal services. In April 1977, one-third of the total 503,000 nonfarm wage and salary workers were engaged in manufacturing. Other leading categories of employment were services (21%), wholesale and retail trade (20%), and government (15%). Agricultural employment totalled 7,900.

There are more than 70 establishments in Metropolitan San Jose employing 500 or more persons. Over half of these firms are engaged in manufacturing.

Nonmanufacturing and governmental organizations in the San Jose Metropolitan Area employing more than 1,000 persons include the City of San Jose, Santa Clara County, Stanford University, the Stanford Medical Center, Pacific Gas and Electric Co., Pacific Telephone Co., San Jose State University, San Jose Unified School District, Cupertino Elementary School District, Palo Alto Unified School District, and the U.S. Naval Air Station at Moffett Field.

Industry

There are more than 1,600 manufacturing firms in Metropolitan San Jose, and today manufacturing is the most important industry in the county. Manu-

SAN JOSE LABOR MARKET

Nonagricultural Wage and Salary Workers

Industry	1970	April 1977	Percent Change
Construction	17,600	17,500	(1.0)
Manufacturing	123,500	162,400	31.5
Transportation, Utilities	17,000	18,600	9.4
Wholesale Trade	14,900	22,100	48.3
Retail Trade	56,100	78,000	39.0
Finance, Insurance, and Real Estate	13,100	20,700	58.0
Services	75,500	105,400	39.6
Government	60,000	78,200	30.3
Other	100	100	—
Total	377,800	503,000	33.1
Seasonably adjusted un- employment rate . . .	n.a.	6.2	—

Source: State Employment Development Department.

facturing activities cover a wide range of products, from agricultural implements to sophisticated electronics equipment. Although Santa Clara County is still one of the nation's major food processing centers, the agricultural sector has lessened in relative economic importance. While the trend toward greater manufacturing activity began in the early 1940's, the year 1950 marked the beginning of a major influx of large manufacturing firms and expansion which has continued to date.

The City has over 8,000 acres available for industrial development, principally in the North San Jose-Alviso-Berryessa areas.

Metropolitan San Jose has continued to rank second only to Los Angeles County in total manufacturing wages and salaries paid in California, according to reports of the State Employment Development Department. Industrial payrolls exceeded those of any county in Northern California and were appreciably ahead of Orange County, the third ranking area. Manufacturing firms account for approximately 40 percent of all wages and salaries paid by employers under unemployment insurance programs in the San Jose area.

Table 11 on page 52 lists industrial firms in the San Jose Metropolitan Area with 500 or more employees. Some of the larger companies are examined in greater detail in paragraphs that follow.

The largest general category of manufacturing is the aerospace industry, comprised of three basic

industries: electrical equipment, instruments, and ordnance. Aerospace has been by far the fastest growing of all manufacturing categories. Highly developed research facilities at Stanford University, the Stanford Linear Accelerator Center, and the Ames Research Center (NASA) have contributed to this growth.

Within the aerospace category, electrical equipment and ordnance are the major employers. There are close to 300 firms in the electrical equipment field in the area, with employment ranging from one to over 5,000 employees. Some of the larger firms in this category are Fairchild Camera and Instrument Company, General Electric Company, Hewlett-Packard Company, Raytheon, Signetics, Aeronutronic, Sylvania, Teledyne, Varian Associates, Western Electric and Westinghouse Electric Company. The two major firms in the field of ordnance are Lockheed Missiles and Space Company and FMC Corporation, who have combined employment of approximately 19,000 persons. The importance of the aerospace and electronics industries is illustrated in the summary below. Total employment is 91,000,

or more than 56 percent of the entire manufacturing employment in the County.

METROPOLITAN SAN JOSE

Estimated Number of Workers in Aerospace

	1967	1970	April 1977
Electrical Equipment .	40,000	46,400	58,300
Ordnance	28,700	20,100	17,000
Instruments	1,800	2,200	15,700
Total	70,500	68,700	91,000

Source: State Employment Development Department.

Although the aerospace industry is an important segment of the local economy, it is balanced by a spectrum of other manufacturing categories. Growth in nonelectrical machinery, instruments, printing and publishing, and transportation equipment has been substantial, while food-related manufacturing has declined as a percent of total manufacturing. In the

The IBM San Jose plant.



nonelectrical machinery industry, some of the larger firms in Metropolitan San Jose are International Business Machines, FMC (Airline Equipment Division, Ordnance Division, Ordnance Engineering Division, Engineered Systems Division, Central Engineering Laboratories and Food Machinery International), and Vidar Corporation. The larger firms in the professional, scientific, and controlling instruments category are Beckman Instruments and Spectra Electronics, Incorporated.

Some of the nationally-known firms which make up the general base of industry in Metropolitan San Jose include Ford Motor Company, Owens-Corning Fiberglas, Continental Can Corporation, Pittsburgh-Des Moines Steel, Owens-Illinois Incorporated, and San Jose Steel Company.

LOCKHEED MISSILES AND SPACE COMPANY. Lockheed employs 18,000 at its Sunnyvale and Palo Alto facilities. Basically a missile and satellite manufacturing complex, the local Lockheed installation represents a diversity of research and production capability and is the most profitable of Lockheed's enterprises.

In recent years, the company's principal product developments at the local plants have been the Trident and Poseidon submarine-launched ballistic missiles. Other programs at local Lockheed facilities have been the Polaris missile, the Agena space vehicle, the eight-wheeled combat assault vehicle known as "Twister" and a Deep Submergence and Search Vehicle.

Management officials of the parent company have pointed out that this division has not been affected by the widely-publicized troubles experienced by Lockheed elsewhere.

GENERAL ELECTRIC COMPANY plants and laboratories in Metropolitan San Jose employ a total in excess of 5,900. Located in the City of San Jose are production facilities of Vertical Motor Products and the Nuclear Energy Division. The Breeder Reactor Operation and Space Systems Organization facilities are at Sunnyvale, the Time Sharing Computer Service is located in Palo Alto, and other manufacturing facilities are at Campbell.

IBM CORPORATION. IBM, the city's largest employer, encompasses a variety of activities from fundamental research through production and installation of equipment. Total employment of the corporation in this area is estimated to be approximately 8,800 persons.

Largest of the company's local facilities is the complex located at Monterey and Cottle Roads in

southeastern San Jose. The 500-acre site is the scene of research, education, systems development, testing and manufacturing. There are 20 buildings with over a million square feet of space. One of IBM's General Products Division facilities is also located here. Magnetic disk storage units for computers are a main product. The San Jose Laboratory of the General Products Division conceives and develops tomorrow's IBM systems. Activities include not only advanced development technology, components, and systems, but market analysis and product planning. The Research Laboratory carries out research in chemistry, physics, engineering, and the data processing field. The Product Testing Laboratory tests and evaluates new products before shipment to customers. These tests range from those of electrical and mechanical changes to small components, up to a complete data processing system. Also on the site is an Education Center operated by IBM's Data Processing Division. This facility is the center for educational programs attended by both IBM and customer personnel.

IBM also occupies extensive space in the Rincon de los Esteros Redevelopment Project for warehousing and distribution.

HEWLETT-PACKARD CO. Hewlett-Packard, which employs 31,000 people in seven states and six foreign countries, is the second largest industrial employer in the San Jose Metropolitan Area. An estimated 10,000 employees produce computers, calculators, and electric instruments at plants in Palo Alto, Cupertino, Mountain View, and Santa Clara. A San Jose plant of the firm's Semi-Conductor Division is under construction within the Rincon de los Esteros project area. Hewlett-Packard was established in Metropolitan San Jose more than 25 years ago, and maintains world headquarters at Palo Alto.

FMC CORPORATION. Formerly Food Machinery and Chemical Corporation, FMC was founded in San Jose in 1883 and is the City's third largest manufacturing employer, with approximately 4,700 employees. The corporation's wide variety of products include machinery, chemicals, fibers, ordnance, personnel carriers, and packaging films which are supplied to almost every segment of industry, agriculture, and national defense.

Located in San Jose are some of the largest manufacturing and sales facilities for its various divisions, including the Food Machinery International, Airline Equipment and Ordnance divisions. In adjacent Santa Clara are the Engineered Systems and Motor Coach divisions.

Table 11

SAN JOSE METROPOLITAN AREA

Industrial Firms Employing 500 or More Persons

Company	Product or Service
Over 2,000 Employees:	
Fairchild Camera & Instruments, Mountain View	Electronic products
Ford Motor Company, Milpitas	Auto, truck assembly
FMC Corporation, San Jose	Food machinery
General Electric Company, San Jose	Nuclear power plants
Hewlett-Packard Co., Palo Alto	Measuring instruments and equipment
Information Storage Systems, Cupertino	Computers
IBM, San Jose	Data processing systems
Lockheed Missiles & Space Co., Sunnyvale	Missiles and space systems
Memorex Corp., Santa Clara	Magnetic tape
NASA, Ames Research Center, Sunnyvale	Scientific research
National Semiconductor Corp., Santa Clara	Electronic circuits
Pacific Telephone Co., San Jose	Utility
Philco Ford Corp., Palo Alto	Aerospace research
Signetics Corp., Sunnyvale	Electronic components
Stanford University, Stanford	University, basic research
Varian Associates, Palo Alto	Electronic equipment
Westinghouse Electric Corp., Sunnyvale	Marine specialty products
1,001-2,000 Employees:	
American Micro-Systems, Santa Clara	Electronic components
ESL Incorporated, Sunnyvale	Electronic research and development
Intel, Santa Clara	Electronics
Northwest Publications, San Jose	Newspaper
Pacific Gas and Electric Co., San Jose	Utility
San Jose Mercury-News, San Jose	Newspaper publisher
Syntex Laboratories, Inc., Palo Alto	Pharmaceuticals
Watkins-Johnson Co., Palo Alto	Electronic components, accessories
500-1,000 Employees:	
Advanced Memory Co., Sunnyvale	Semiconductors
Advanced Micro-Devices, Inc., Sunnyvale	Integrated circuits
American Bakeries, Inc., San Jose	Bakery
Arcata Graphics, Inc., San Jose	Printing
Barnes-Hind Pharmaceuticals, Sunnyvale	Pharmaceuticals
Beckman Instruments Inc., Palo Alto	Precision instruments
Beech Nut Inc., San Jose	Gum and candy
Burke Industries Inc., San Jose	Rubber products
California Cannery & Growers, San Jose	Canned fruits and vegetables
Castle & Cooke Foods, San Jose	Food processing
Del Monte Corp., San Jose	Canned fruits and vegetables
Electronic Design & Development, Santa Clara	EDP software
Fairchild Systems Technology, San Jose	Computerized test equipment
Gilroy Foods, Inc., Gilroy	Dehydrated onions, garlic
Hewlett-Packard Co., Cupertino	Muni-computer system
Hewlett-Packard Co., Santa Clara	Laboratory instruments
Information Storage Systems, Cupertino	Electronic computer equipment
Intersil Inc., Cupertino	Semiconductors
Itek Corporation, Sunnyvale	Electronic components
ITT-Jennings Div., San Jose	Electronic components
Litronix, Inc., Cupertino	Electronic semiconductors
Owens-Corning Fiberglas Corp., Cupertino	Fiberglass insulation
Plantronics, Inc., Santa Clara	Data and telecommunications equipment
Raytheon Co., Mountain View	Semiconductors
Siliconics, Inc., Santa Clara	Semiconductors
Spectra-Physics, Inc., Mountain View	Laser instruments
Sun Garden Packing Co., San Jose	Canned fruits
Teledyne Semiconductor, Mountain View	Microwave equipment
Vidar Corp., Mountain View	Electronics
Western Electric Co., Sunnyvale	Telephone equipment

Source: San Jose Chamber of Commerce, January 1977; prepared by City of San Jose, Office of Economic Development.

FORD MOTOR COMPANY. Ford's San Jose Assembly Plant in the adjacent community of Milpitas employs about 3,000 workers, with a total annual payroll in excess of \$40 million. The San Jose plant produces commercial and passenger vehicles.

NASA, AMES RESEARCH CENTER. With 1,800 employees, Ames ranks as one of the largest employers in the area. This Mountain View facility carries on vital work in space and life science research and development. A large wind tunnel is available for testing of aircraft and spacecraft configurations. Ames is also the USAF Satellite Test Center.

Building and Construction

The Metropolitan San Jose Area has consistently led all Bay Area counties in new residential construction for both single family and multi-family dwelling configuration, with dollar valuation of residential construction normally accounting for about 60 percent of all building permits.

In 1976, Santa Clara County was fourth among California counties in total valuation of building permits, ranking only behind Los Angeles, Orange, and San Diego Counties. It was far ahead of all

other Northern California counties in all major categories of construction.

For the five years ending in 1976, the City of San Jose reported nearly 45 percent of aggregate residential permit values, and over 30 percent of total nonresidential permit valuation in Santa Clara County, San Jose had approximately 65 percent of all permits for single family homes.

Table 12 on page 54 presents a summary of building permit valuations in the entire Metropolitan San Jose area since 1972, along with the number of new dwelling units constructed.

Foreign Trade Zone

San Jose Foreign Trade Zone No. 18 is located in the 375-acre International Business Park, located immediately northeast of the Rincon de los Esteros redevelopment area, near the San Jose Municipal Airport. Foreign and domestic merchandise may be moved into the zone for storage, exhibition, manufacture, or other processing without payment of Federal duties or excise taxes until the goods leave the zone. There is no time limit on storage of goods and components. Construction in the zone began in 1975 with two buildings totalling 132,000 square feet. Upon completion, it is estimated the Park will provide employment up to 1,000.

The FMC Corporation San Jose plant. To the left is the Southern Pacific Company rail yards.



Table 12
METROPOLITAN SAN JOSE
Value of Building Permits
(Dollars in Thousands)

	1972	1973	1974	1975	1976	1977*
Residential:						
New units	\$275,648	\$260,908	\$236,569	{ \$269,906	\$463,171	\$267,746
Alterations and additions ...	12,596	13,505	19,702		34,277	17,109
Subtotal	\$288,244	\$274,413	\$256,271	\$269,906	\$497,448	\$284,855
Non-residential:						
New commercial	\$ 64,931	\$ 88,263	\$ 91,372	\$ 69,047	\$ 63,259	\$ 44,819
New industrial	51,443	82,970	82,634	78,271	86,883	61,376
Alterations and additions ...	16,338	21,009	22,580	{ 80,892	30,740	14,089
Other	45,544	32,995	47,198		67,187	33,871
Subtotal	\$178,256	\$225,237	\$243,784	\$228,210	\$248,069	\$154,155
Total valuation ...	\$466,500	\$499,650	\$500,055	\$498,116	\$745,517	\$439,010
Number of dwelling units:						
Single-family	9,266	7,405	5,823	5,699	9,318	4,863
Multi-family	5,630	5,449	3,173	2,471	3,833	1,839
Total units	14,896	12,854	8,996	8,170	13,151	6,702

*5 months.

Source: County Planning Department and City Building Departments.

Agriculture

Although population growth, industrialization and urbanization have caused a decline of agricultural activities and farm employment in the county, farm production has remained surprisingly high. In 1976 the gross value of all crops was \$97,347,450, compared with \$65,536,350 in 1970. Nursery stock and cut flower production has increased sharply in recent years, offsetting the steady drop in production of fruits and nuts. The cultivation of vegetables has also shown considerable strength in the past two years.

Utilities

The City of San Jose is served by the following utilities:

Electricity: Pacific Gas and Electric Company

Gas: Pacific Gas and Electric Company

Telephone: Pacific Telephone Company

Water: San Jose Water Works, San Jose Municipal Water Works and the Great Oaks Water Company

Transportation

Two major railroads, a modern system of highways and freeways and a growing airport complex have contributed to the industrial, commercial and

residential expansion of Metropolitan San Jose. This highly developed transportation network provides ready access to national and international markets.

Southern Pacific and Western Pacific provide main line rail service to the area. Both railroads serve the east shore of San Francisco Bay, while Southern Pacific also provides freight and daily commuter service north on the Peninsula to San Francisco. Within the city, there are central switching yards with ramps for piggyback loading and cranes for handling of containerized freight.

Approximately 65 interstate trucking firms and over 400 local and regional contract carriers serve Metropolitan San Jose. Motor passenger and parcel service are made available by Greyhound Bus Lines and Peerless Stages with overnight deliveries to all major cities in California. Local bus transportation is offered by Santa Clara County Transit District.

Deepwater transportation is available at the Port of Redwood City, 25 miles north. Ports at San Francisco and Oakland are well-equipped to handle all types of coastal and overseas cargo. All three ports are conveniently accessible by freeway from San Jose.

Interstate 280, Interstate 680, US 101, and State Route 17 all intersect in downtown San Jose, pro-

viding an efficient freeway grid serving the city and surrounding area.

Community Facilities

The City of San Jose has six general hospitals with a combined capacity of 2,126 beds. Stanford Medical Center in Palo Alto has 600 beds and unexcelled equipment for major surgery, including heart transplants. There are 50 convalescent hospitals and nursing homes in Metropolitan San Jose, many with 50-100 beds and two with more than 100 beds. Medical and health services are provided in San Jose by over 700 physicians and surgeons. Over 300 dentists, 70 optometrists, and 100 chiropractors practice in the community.

In 1970 the city opened a \$4 million main library facility in the downtown area. The library system operates 12 branch libraries and a bookmobile. San Jose's public library circulates nearly three million books each year.

The San Jose Center for the Performing Arts (formerly the Community Theatre) is located in the center of the city, and forms the hub of a growing cultural development program in San Jose. The modernistic structure, seating 2,700 people, is considered one of the finest theatres in the Country.

The city has two major newspapers, nine radio stations, a TV cable system, and three TV channels received direct.

One of the oldest established symphony orchestras in the nation, the San Jose Symphony, traces its roots back over a century. It has been accorded national recognition as a Metropolitan Orchestra by the American Symphony Orchestra League. Also adding to the cultural life of the city is the San Jose Museum of Art.

The Civic Auditorium and Exhibit Hall, located near the Performing Arts Center, seats 3,500, and is utilized for conventions and other events. The recently completed exhibit hall has substantially increased the capacity of the facility for conventions.

The city has two stadiums. Municipal Stadium, occupying a 23-acre downtown site, and San Jose Spartan Stadium, seating 18,300 for San Jose State University games and for the San Jose Earthquakes professional soccer team.

Education

The caliber of secondary education in San Jose reflects the community-wide interest in this subject

and the large number of degree-holders living in the area. The San Jose Unified School District, which serves the greater part of the city, operates 31 elementary schools, 5 junior high schools, and 6 high schools. Enrollment has remained steady at approximately 36,000 over the past three years.

Between high school and the four-year institutions are the locally-supported and administered community colleges. Within the city limits is San Jose City College with a faculty of 350 and more than 6,000 students. In neighboring communities are De Anza College, Foothill College, Mission College (under construction) and West Valley College. All are within convenient driving distance from any part of San Jose. Total enrollment in these community colleges is over 35,000 students.

Metropolitan San Jose is the home of the oldest institution of higher education in the West, the University of Santa Clara, which traces its founding to 1851. It is also the home of the oldest public educational institution in California, San Jose State University, which opened in 1857. Another prestigious seat of learning, Stanford University, dates from 1885. Located within a 50-mile radius of San Jose are the University of California at Berkeley, University of California at Santa Cruz, St. Mary's, the University of San Francisco, and the San Francisco and Hayward campuses of the State University and College System.

Recreation

The city maintains 170 school playgrounds and 70 public parks, including 776-acre Alum Rock Park and the Municipal Rose Gardens. Commercial amusement centers include the Winchester Mystery House, Frontier Village, and 50 theatres. Other attractions are Marriott's Great America, the Egyptian Museum, Japanese Friendship Gardens, San Jose Municipal Baseball Park, Santa Clara County Fairgrounds, Alviso Yacht Harbor, 11 eighteen-hole golf courses, and five nine-hole golf courses.

Sailing and power boat enthusiasts make use of the many marinas and docking facilities in San Francisco Bay and the resorts along the Pacific shoreline. Those who enjoy hiking or camping find outlets in the Santa Cruz Mountains, southwest of the city. The beaches at Santa Cruz and adjacent areas are less than an hour's drive from the city. Deep-sea fishing parties are scheduled regularly the year-round from Santa Cruz and Half Moon Bay.

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